

LOGO REMOVED

PERSIMMON PLC

Growth and capital discipline through the cycle

Annual Report 2016

Image removed

THURSDAY



A65R9LF5

A15

04/05/2017

#311

COMPANIES HOUSE

CONTENTS

Strategic Report Pages 2 – 49

2	Chairman's Statement
6	Group Overview
8	Marketplace
10	Business Model
20	Strategy and Priorities
22	Key Performance Indicators

Performance Review:

24	Strategic Update
28	How We Manage Risk
29	Principal Risks
30	Viability Statement
31	The UK Housing Market and Brand Performance
39	Operating and Financial Review
44	Corporate Responsibility
48	Current Trading Outlook

Governance Pages 50 – 85

50	Chairman's Corporate Governance Introduction
52	Board of Directors
54	Corporate Governance Statement and Directors' Report
64	Remuneration Committee Chairman's Statement
66	Directors' Future Remuneration Policy
75	Annual Report on Remuneration

Financial Statements Pages 86 – 139

86	Statement of Directors' Responsibilities
87	Independent Auditor's Report
92	Consolidated Statement of Comprehensive Income
93	Balance Sheets
94	Statements of Changes in Shareholders' Equity
96	Cash Flow Statements
97	Notes to the Financial Statements

Other Information Page 140

140	Shareholder Information
140	Financial Calendar 2017
140	Five Year Record

Our business model in action

Logo removed

Logo removed

Logo removed

Logo removed

Obtaining planning permission

See pages 12 and 13

Buying land

See pages 14 and 15

Design & build

See pages 16 and 17

Sales & customer care

See pages 18 and 19

We are one of the UK's leading house builders, producing a broad range of homes from affordable housing to luxury family homes across England, Scotland and Wales.

Our efficiency, attention to detail and financial discipline mean we have a strong balance sheet and excellent margins and profitability.

This generates superior returns for shareholders.

CHAIRMAN'S STATEMENT

Disciplined high quality growth

Image removed

“
 PERSIMMON HAS
 DELIVERED A STRONG
 PERFORMANCE IN 2016
 ”

Results

Persimmon has delivered a strong performance in 2016, with revenues increasing by 8% to £3,136.8m (2015: £2,901.7m) and profit before tax increasing by 23% to £774.8m (2015: £629.5m). The Group delivered 15,171 homes to customers across the UK, an increase of 599 on last year. The Group's average selling price of £206,765 was 3.8% higher (2015: £199,127).

The Group has continued to execute its long term strategic plan, concentrating on delivering disciplined high quality growth. Key to supporting this growth is opening new development sites swiftly following receipt of an implementable detailed planning consent and then progressing a build programme to secure rates of new home construction to meet market demand.

Persimmon opened 255 new sales outlets during 2016 (2015: 252). In line with expectations, legal completions from these

new sites supported a further reduction in the Group's land cost recoveries during the year. These lower land cost recoveries and firm control over development costs resulted in underlying gross margins increasing by 240 basis points year on year to 27.8% (2015: 25.4%).

Underlying operating margin* of 24.8% was 290 basis points higher than the prior year (2015: 21.9%). The Group's growth towards optimal scale in each of its regional markets yielded operating efficiency benefits which added 50 basis points to the Group's operating margin. Underlying operating profit* of £778.5m was 23% ahead of last year (2015: £634.5m). The increase of 695 homes sold in the second half of the year to 7,933 homes (H116: 7,238) supported the further 190 basis point improvement in the second half operating margin* to 25.7% (H116: 23.8%).

Underlying profit before tax* of £782.8m increased by 23% year on year (2015: £637.8m) delivering underlying basic earnings per share* of 205.6 pence which is 19% higher than last year's 173.0 pence.

In 2016 the Group generated total shareholder equity value per share before capital returns of 202 pence, an increase of 12% over the prior year (2015: 181 pence per share). This additional equity value was generated through the excellent trading performance combined with the Group's strong capital discipline during the year.

The Group's strategy prioritises cash efficiency and capital discipline through the cycle. As a result our liquidity remains strong. We generated £681m of free cash before capital returns during the year (2015: £483m) whilst also acquiring 18,709 plots of new land across 86 high quality locations. Our strategic land portfolio contributed 11,268 plots in 41 locations to this total.

The Group held £913.0m of cash at the end of the year (2015: £570.4m). Return on average capital employed** was 39.4% for 2016, an improvement of 23% over the previous year (2015: 32.1%).

* stated before goodwill impairment of £8.0m (2015: £8.3m).

** 12 month rolling average and stated before goodwill impairment.

Long term focus

FINANCIAL HIGHLIGHTS

Key performance indicators
See pages 22 and 23

Revenue

£3.14bn

+8%

(2015: £2.90bn)

Free cash generation¹

£684.3m

+41%

(2015: £484.6m)

Operating margin²

24.8%

+13%

(2015: 21.9%)

Profit before tax²

£782.8m

+23%

(2015: £637.8m)

Dividend

135p

+23%

(2015: 110p)

Net assets per share

887.3p

+11%

(2015: 800.7p)

Strategic report

Governance

Financial statements

Other information

Long term strategy and Capital Return Plan

The Group's long term strategy, launched in February 2012, is focused on mitigating the risks to sustainable shareholder value creation inherent in the UK housing market by maintaining capital discipline and delivering strong free cash generation to shareholders through the housing cycle. We are committed to taking opportunities to increase output in each of our regional markets to meet market demand and to enable us to achieve optimal sustainable scale for each of our 29 housebuilding businesses. This optimal scale is based upon disciplined investment in land and work in progress, at a pace and quantum that optimises trading efficiencies and land replacement activity whilst minimising financial risk. Over the last two years we have opened five new housebuilding businesses to support the growth of the Group taking advantage of market share opportunities to do so. Having completed the first five years of the plan, Group operational performance is well ahead of our original expectations.

Our strategic plan recognises the potential of the Group to generate substantial surplus capital should its operational execution be successful. The Board therefore made a long term commitment in early 2012 to deliver £1.9bn (£6.20 per share) of surplus capital to shareholders over ten years to 2021 ('the Capital Return Plan'). The value of the Capital Return Plan was similar to the market capitalisation of the Group at the time the plan was launched.

Given the strong progress the Group has made, the Board announced an acceleration of, and an increase to, the Capital Return Plan on 23 February 2016. Minimising financial risk and retaining flexibility for reinvestment in the business remain key priorities. The Board is of the firm belief that the prioritisation of capital discipline through the housing cycle is critical to the successful delivery of sustainable, superior shareholder value and, therefore, maintained the original long term Capital Return Plan period commitment to 2021.

Accordingly, the Company accelerated the payment of a cash return of £338m, or 110 pence per share, as an interim dividend for 2015 which was paid on 1 April 2016. This was an increase of 100 pence per share on the provisional 10 pence per share payment proposed under the previous Plan schedule, and an increase of 15 pence per share, or 16%, on the 95 pence per share paid in 2015. To date £1.1bn, or £3.50 per share, has been returned to shareholders.

In addition, on 23 February 2016 the Board increased the total value of capital to be returned to shareholders within the original Capital Return Plan period by c. £860m, or £2.80 per share, over the plan period to 2021. The total value of the Capital Return Plan therefore increased to c. £2.76bn, or £9.00 per share, an increase of 45% over the original Plan value.

The future Capital Return Plan payment of £5.50 per share was set to be paid in equal instalments of £1.10 per share over the remaining five years of the Plan period, commencing in early July 2017.

¹ Free cash generation is defined as net cash flow before financing activities.

² Stated before goodwill impairment of £8.0m (2015: £8.3m).

Chairman's statement
continued

The Board has completed its review of the availability of surplus capital of the Group and is pleased to announce a further increase in the Capital Return Plan of 25 pence per share to be paid on 31 March 2017. This additional payment of surplus capital will be a first interim dividend in respect of the year ended 31 December 2016 paid to shareholders on the register on 10 March 2017. In addition, the Board is pleased to confirm the scheduled payment of 110 pence per share will be made on 3 July 2017 as a second interim dividend with respect to the financial year ended 31 December 2016, to shareholders on the register on 16 June 2017.

As a result the Capital Return Plan to 2021 has now been increased by 49% to £9.25 per share.

As previously stated, the actual value of the surplus capital to be returned to shareholders in future years will continue to be assessed each year after due consideration of the appropriate balance

between the current financial position of the Group and its landbank, the housing market cycle and land market conditions, and wider-ranging risks and external conditions.

Board Changes

The Board announced Simon Litherland's appointment as a Non-Executive Director of the Company on 23 February 2017 and looks forward to him joining the Group on 3 April 2017.

Outlook

The UK new build housing market remains confident with customer demand for new homes supported by compelling mortgage products. We are pleased with customer activity in the first eight weeks of the 2017 spring season. Visitors to our sites are c. 7% ahead year on year. We have experienced a normal week on week strengthening of the market on entering the 2017 spring selling season.

Despite particularly demanding comparatives given our excellent trading performance through 2016, we are in a good position to deliver further growth in 2017. Current total forward sales, including legal completions taken so far in 2017, are £1.89bn, 9% ahead of the previous year (2016: £1.74bn). The Group's overall private reservation volumes in the forward order book are 6% ahead of last year allowing for the first eight weeks private sales rate per site being 4% lower at this point. Cancellations remain low. Over the first few weeks of the year we have achieved some modest selling price improvement.

Disciplined growth in mortgage lending to customers seeking to buy a newly built home will support further increases in construction. However, to increase new home supply the planning system will need to allow the release of more land for development by the industry. We are encouraged by the Government's action in continuing to seek improvements in the planning system with the consultation

OPERATIONAL HIGHLIGHTS

Homes sold

15,171

+4%

(2015: 14,572)

Forward sales¹

£1,892.0m

+9%

(2016: £1,742.6m)

Landbank (plots)

97,187

+4%

(2015: 93,649)

Average site numbers

380

+0%

(2015: 380)

Average selling price

£206,765

+4%

(2015: £199,127)

Construction waste recycled

93%

+1%

(2015: 92%)

¹ As at 24 February 2017 (2016 figure as at 26 February 2016).

measures included in the recent Housing White Paper. By opening new sales outlets in increasing numbers, together with investing in training skilled trades people, the industry will be able to expand output and fulfil the housing needs of local communities across the UK.

As a result of substantial investment in replacement land over the last few years we have maintained the strength of our sales outlet network whilst increasing our sales volumes by over 60% since the launch of our new strategy in 2012. The Group started the year with 390 active sites, a network which is c. 4% stronger than at the same point last year. We are working hard to make an early start on as many new development sites as planning conditions will allow. We have opened 51 new sales outlets so far this year. We anticipate local authorities will continue to support the delivery of greater housing supply in line with their obligations under the National Planning Policy Framework and their planned five year housing needs. Persimmon will continue to work in partnership with all stakeholders to maintain the strength of our sales network and to build more homes to meet customer demand. Our significant investment in work in progress carried forward into the new year provides a platform for further volume growth.

We remain keen to invest in new land in the open market where terms are appropriate whilst remaining mindful of the risks associated with the uncertainties arising from the UK's decision to leave the EU. In addition, looking ahead, land from our strategic portfolio is expected to provide an increasing proportion of the Group's building plots with detailed consent. We will ensure that the Group retains sufficient cash resources to take advantage of these attractive market opportunities as they arise.

The performance of the UK economy has been resilient despite some increase in uncertainty associated with the Government's ongoing implementation of the UK's exit from the EU. Current market conditions provide a supportive backdrop for the Group to fulfil the needs of the local communities that we serve by investing in local infrastructure and housing delivery. 2016 represented another year of major achievement for Persimmon which reflects the hard work and dedication of management, all our staff, our contractors and suppliers. I thank them all for their efforts. The Board remains confident of the Group's further progress.

Nicholas Wrigley
Chairman
24 February 2017

Capital Return Plan

£1.1bn

returned to date
or

£3.50

per share

Strategic report

Governance

Financial statements

Other information

GROUP OVERVIEW

Providing quality and choice

Average selling price 2016 £205,597 Persimmon £321,209 Charles Church £106,889 Westbury Partnerships	Units sold 10,906 Persimmon 2,047 Charles Church 2,218 Westbury Partnerships	Plots 66,382 Persimmon 11,805 Charles Church 19,000 Westbury Partnerships
---	---	--

OUR BRANDS

Logo removed

Persimmon Homes is our core brand which delivers traditional family homes in around 400 locations throughout the UK. With a reputation built on quality, we sell most of our homes under this brand.

Logo removed

Charles Church is one of the country's foremost housebuilding brands delivering executive housing in premium locations across the UK. We build homes under this brand tailored to local markets where our research and experience has identified a strong demand for a premium product.

Logo removed

Westbury Partnerships is our brand with a focus on affordable social housing. We sell these homes to housing associations across the UK. This brand plays a key part in the delivery of sustainable homes for the benefit of lower income occupiers, offering solutions to some of the country's affordable housing problems.

Image removed

Image removed

Image removed

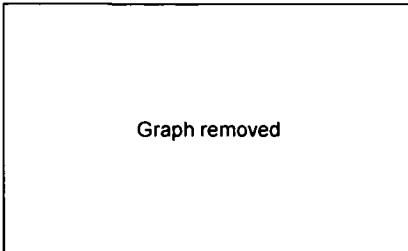
Logo removed

Our Space4 business operates an off-site manufacturing plant producing timber frames, highly insulated wall panels and roof cassettes as a 'fabric first' solution to the construction of new homes. Space4's unique modern method of construction system has been developed to address

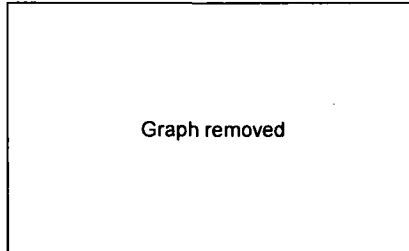
three main challenges in housing delivery: affordability, energy efficiency and construction industry skills shortages. This business supports all of our brands and over 30% of the homes we build use Space4 products.

Image removed

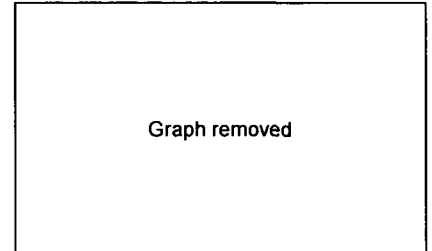
Contribution to Group revenue
%



Units sold
Number



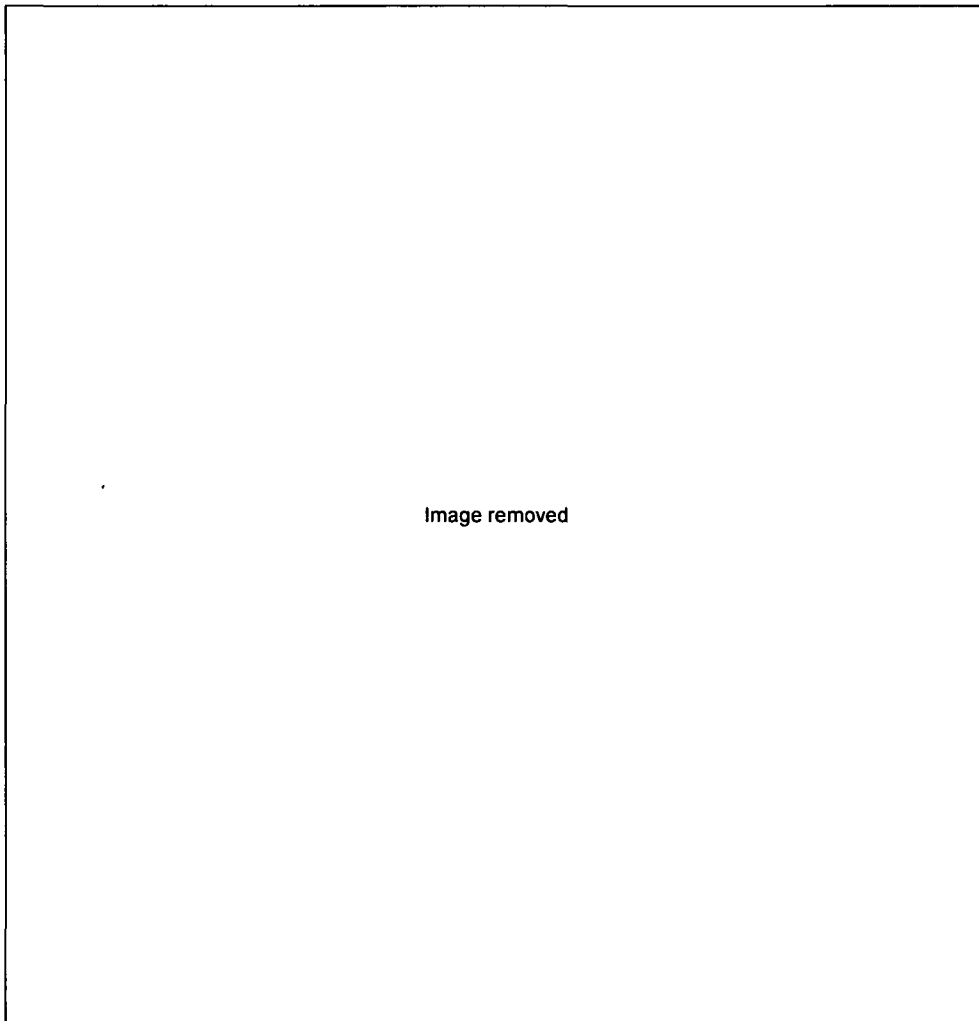
Landbank
Number of plots



Strategic report

OUR LOCATIONS

- Northern offices
- Southern offices
- Space4 factory
- Brickworks factory



Governance

Financial statements

Other information

THE UK HOUSING MARKET

Key trends affecting our business

Graph removed

Source: ONS, OBR.

POSITIVE UK ECONOMIC GROWTH

The UK housing market is cyclical and is most influenced by the health of the UK economy and consumer confidence. The latest estimate for UK GDP growth during 2016 was 2.0%; the Government is currently forecasting a deceleration of growth in 2017. Confidence in the economic outlook is key to supporting the Group's investment in long term housing projects, which generally have a three to ten year time span.

GfK's Consumer Confidence Index indicates that consumers have reported they are feeling upbeat about their personal financial situation but have concerns about the wider economy due to a combination of Brexit and inflation expectations.

Market share

10%

Image removed

* Source: HMRC.

OUR NEW HOMES MARKET SHARE

More than 150,000* new homes were registered in the UK by the NHBC in 2016, the second highest in almost a decade. The Persimmon Group's market share is around 10%. Total house sales in the UK during 2016 were c. 1.2m†.

Graph removed

* Source: NHBC.

DEMAND FOR HOUSING

There has been a consistent undersupply of new homes over many years. New homes are required to meet the country's increasing population and housing needs. As a result house prices have increased above inflation and the average UK house price was £219,544* in 2016. In the recent Housing White Paper, the Government announced plans to help over 200,000 people become homeowners by the end

of the parliament. The Government has stated that the Starter Homes Initiative and the Help to Buy shared equity scheme, which has been extended until 2021, will help to achieve this. The Government estimates that the UK needs to build around 250,000 new homes each year to meet future housing needs.

Image removed

* Source: ONS.

PLANNING AND REGULATION

The introduction of the National Planning Policy Framework (NPPF) in 2012 by the Government has resulted in an increase in land supply for new homes. Latest available figures show planning consents increased by 15%* in the first three quarters of 2016. This increase will support progress to achieve the Government's significant housebuilding targets in the future.

* Source: HBF.

The NPPF requirement for local planning authorities to put in place five year plans should ensure a consistent supply of consented land to enable the housebuilding industry to commit capital to long term projects.

Image removed

Strategic report

Governance

MORTGAGE AVAILABILITY

Graph removed

The number of new mortgages decreased slightly in 2016 to 801,500* new loans for home purchase (2015: 804,000). The long term average monthly number of new loans issued since 1993 is 83,000* loans per month.

During 2016 the average number of loans per month was 67,000, still significantly below the long term average. We support new regulations and Bank of England oversight measures which should lead to a more sustainable housing market over the longer term.

* Source: Bank of England.

Financial statements

Other information

SKILLED LABOUR

Construction of new homes has increased significantly over the last few years. As a result there is an increased demand for skilled labour, particularly bricklayers and other specialist construction trades. The industry has responded with significant investment in training programmes and recruitment for the many varied careers in housebuilding. Increasing the supply of skilled labour will be essential if the industry is to increase the volume of new homes built in the UK.

Image removed

BUSINESS MODEL

How we create value

INPUTS

These are the things we need to be able to operate as a business.

Land

A good supply of land is critical to our maintaining and increasing housing completions because of the inherent delays in obtaining implementable planning consent.

People

Our people are essential to implementing our strategy. We currently employ c. 4,500 staff and use many subcontractors and suppliers to meet our production targets.

Geographic coverage

We have 29 regional offices across the UK to maintain geographical coverage, maximise sales potential and minimise risk in regional markets.

Materials

We have Group supply contracts for our major construction materials to ensure best prices and continuity of supply.

Off-site manufacturing

Our Space4 business manufactures advanced insulated closed panels and timber frames for a large number of our new homes helping us to build to the best sustainability standards of energy efficiency and quality.

We recently announced the construction of our own concrete brick manufacturing facility. This will enable us to produce c. two thirds of our current requirements and exercise greater control over build costs.

WHAT WE DO

We build a wide range of new homes across the UK. We combine quality and efficiency to provide a sustainable balance between affordable prices and a good operating margin for the business.

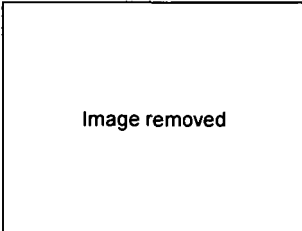


Image removed

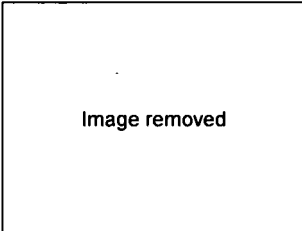


Image removed

Obtaining planning permission

We control land which has potential for development but requires further promotion or investment in order for this potential to be realised. Our dedicated land teams maintain and replenish our strategic land portfolio and our planning teams promote land through the planning system.

Buying land

Our development sites are pulled through from our strategic land portfolio, or purchased on the open market. Maintaining our landbank gives continuity of supply, enables us to be selective in our land acquisitions and helps us to maintain a strong sales outlet network.

See page 12

See page 14

OUTCOMES

These are the results, both financial and non-financial, of what we do.

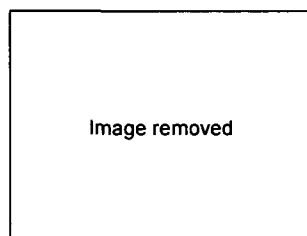


Image removed

Design & build

We focus on building family housing nationally under our key brands. Space4's modern method of construction delivers energy efficient homes and supports our production rates by easing resourcing pressures. We maintain tight control over our construction costs and work in progress, so that we can react quickly to changes in housing demand.

See page 16

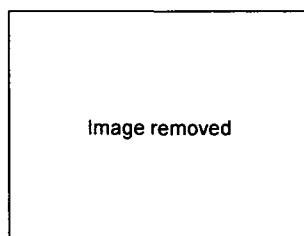


Image removed

Sales & customer care

We continue to invest in skills and systems to deliver good quality new homes and provide excellent levels of service to our customers. By maintaining a national site network with good availability and choice of house types we can maximise our sales potential.

See page 18

15,171

New homes

Sustainable communities

In 2016 we provided £65m of community infrastructure, schools and open space.

Financial strength

Balance sheet net assets of £2.7bn.

Waste recycling

Increased to 93% of all construction waste.

Employment

In 2016 we employed an average of 4,526 people.

£774.8m

Profit before tax

£338m

Capital returned to shareholders

Strategic report

Governance

Financial statements

Other information

BUSINESS MODEL

16,600**acres of
strategic land**

**Obtaining planning
permission**

Strategic land investment and its conversion into high quality developments with detailed planning consents is prioritised to maximise shareholder returns over the long term.

Image removed

Image removed

Plan+ Replenish+

[Strategic report](#)[Governance](#)[Financial statements](#)[Other information](#)

Image removed

BUSINESS MODEL

Select Purchase⁺

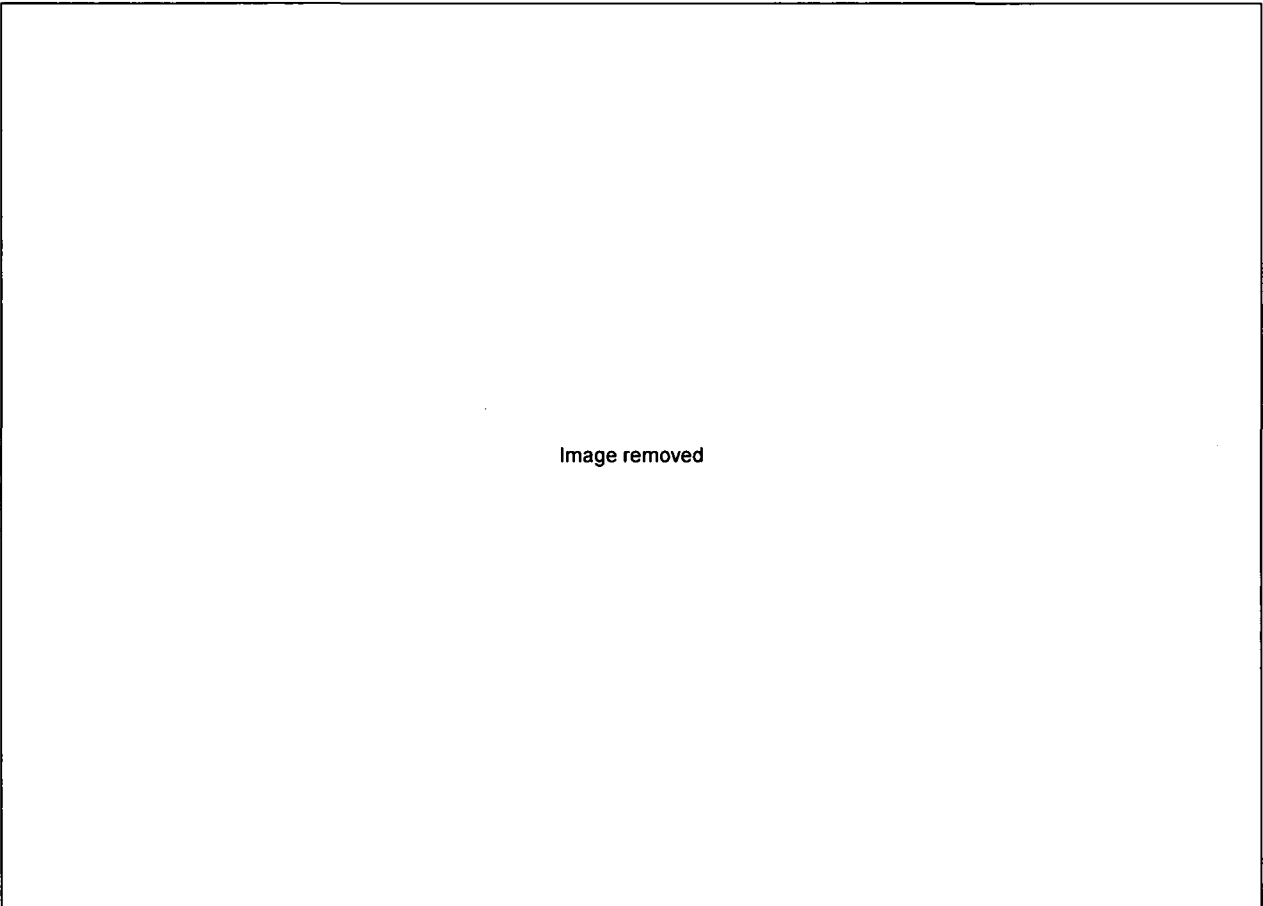


Image removed

Persimmon Homes, Chase Wood View, Ross-on-Wye.

52,800

**plots with implementable
planning consent**

Buying land

We ensure our land replacement activity is of the highest standard supported by achieving the optimal scale for each of our 29 regional housebuilding businesses.

Image removed

Image removed

Strategic report

Governance

Financial statements

Other information

BUSINESS MODEL**Design & build**

We remain focused on delivering homes that provide good affordability, supporting greater access to the housing market for customers who can buy their own home. Around 50% of our private market sales were delivered at prices of less than £200,000.

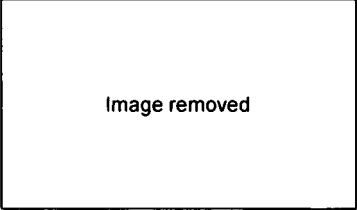


Image removed

380**average
site numbers**

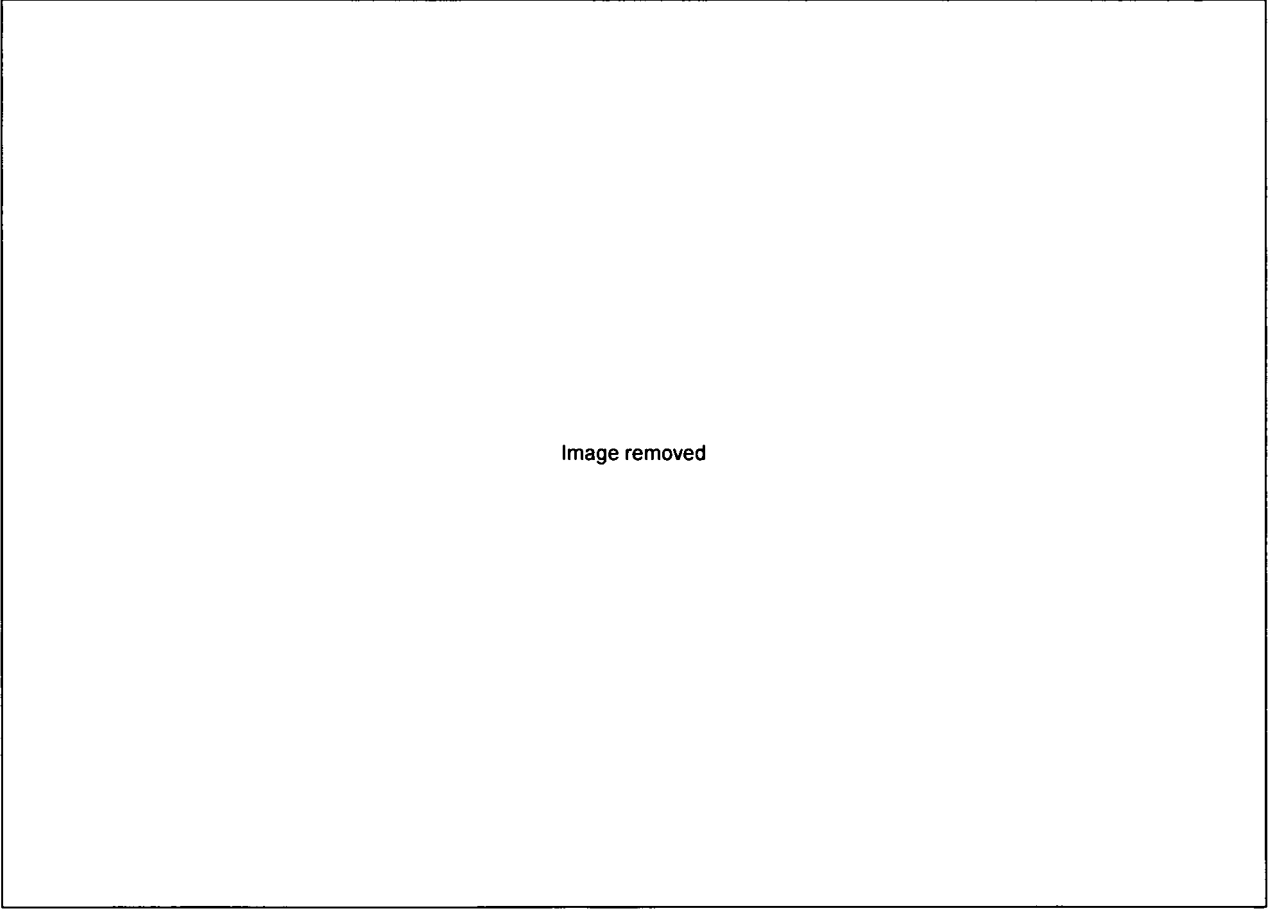


Image removed

Quality+ Affordable

[Strategic report](#)[Governance](#)[Financial statements](#)[Other information](#)

Image removed

BUSINESS MODEL

North South⁺

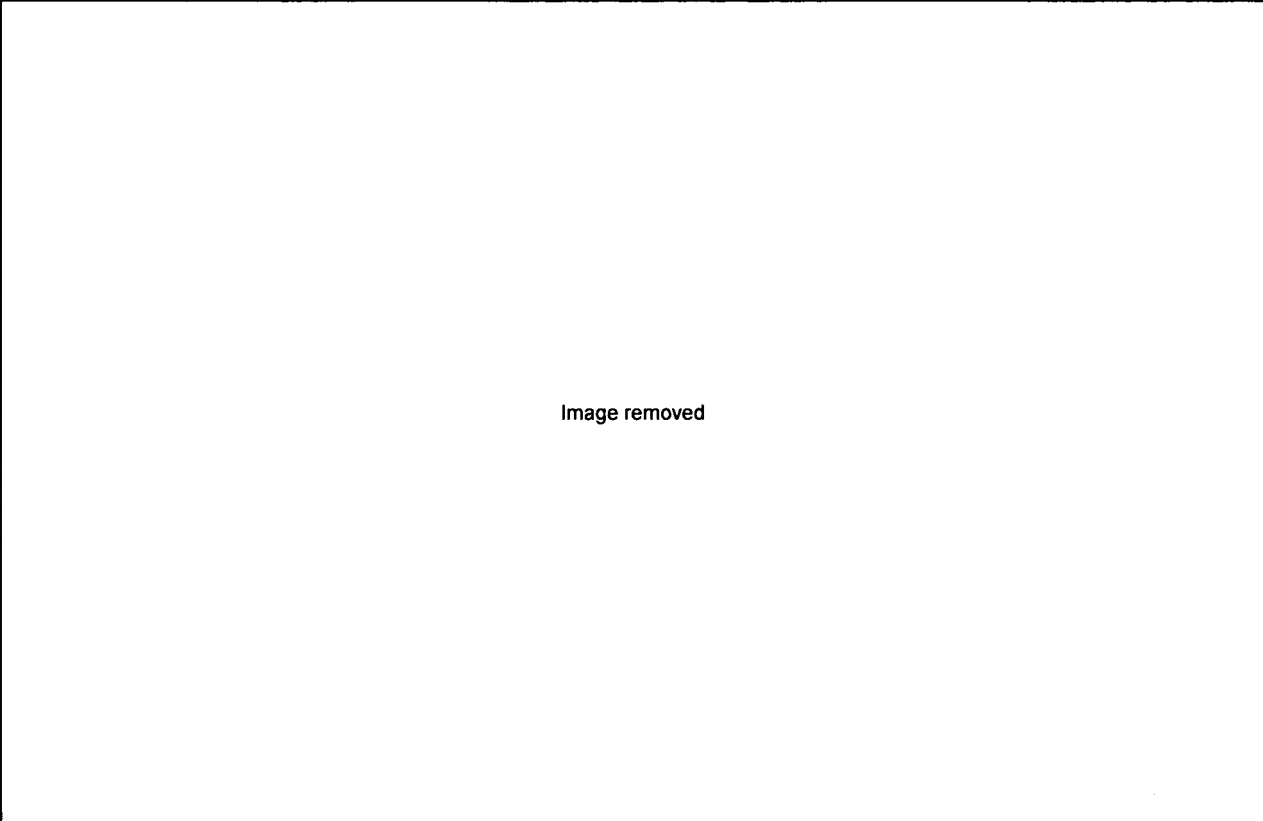


Image removed

15,171

**Homes
sold**

Sales & customer care

We aim to secure and maintain a sustainable market share in each of our regional markets. To support the delivery of high quality growth we opened two new businesses in 2016, in Launceston and Perth. We opened an additional business in Mansfield in January 2017. In total we have invested in five new businesses in just over two years.

Image removed

Image removed

Strategic report

Governance

Financial statements

Other information

Charles Church, Avon Fields, Durrington.

STRATEGY AND PRIORITIES

How we maximise performance

OUR AIM

To deliver superior sustainable shareholder value over the long term by being the UK's leading national housebuilder, providing a range of desirable new homes for all markets across England, Scotland and Wales.

OUR STRATEGY**01**

Grow and manage our business at an optimal scale whilst maximising value through land replacement and development as market conditions allow.

02

Deliver our strategic land holdings for development and maintain a high quality consented landbank to support our housebuilding operations.

03

Maintain discipline over the level of capital employed within the business through the housing cycle and optimise shareholder value and returns over the long term.

OUR PRIORITIES

Build sustainable homes

- Improve the energy efficiency of our homes and reduce running costs
 - Continue to use off-site manufacturing techniques to support increased build rates by investing in Space4 and our Brickworks factory
 - Improve resource and waste efficiency
-

Excellent customer focus

- Improve customer satisfaction and service levels
 - Prompt delivery of good quality homes in attractive locations
 - Continue to support trainees and apprentices across all disciplines in our business
 - Provide part exchange facilities to customers
-

Robust health and safety

- Keep our sites safe for our workforce and visitors
 - Continued management and staff training
 - Maintain a robust safety culture
 - Maintain a high level of compliance with health and safety standards
-

National site network

- Traditional site layouts
 - Buy land in excellent locations
 - Good availability and choice of house types on all our developments
 - Targeting sales to first time buyers using Help to Buy
-

Improve margins

- Prioritise strategic land investment to improve shareholder returns
 - Acquisition of new land at attractive prices
 - Continue to control development costs
 - Maximise sale prices
-

Strong cash generation

- Maintain appropriate capital structure
 - Capital discipline
 - Return surplus capital to shareholders
 - Minimise finance costs
 - Good flexibility
 - Generate superior levels of return on capital
-

Strategic report

Governance

Financial statements

Other information

KEY PERFORMANCE INDICATORS

How we performed

FINANCIAL KPIs

Revenue measures

Strength of revenue is an important measure of the success of our business plan. Our emphasis on traditional housing puts us in a strong position to maximise sales.

Graph removed

Strategic priority:
Grow our business.
See pages 20
and 21.

Graph removed

Strategic priority:
Grow our business.
See pages 20
and 21.

Profit measures

Our margin has historically been one of the best in the sector and our land replacement and cost management and efficiency programmes have been undertaken to maintain this position.

Graph removed

Strategic priority:
Improve margins.
See pages 20
and 21.

Graph removed

Strategic priority:
Improve margins.
See pages 20
and 21.

¹ Stated before exceptional items and goodwill impairment. After exceptional items and goodwill impairment the figures are as follows: Operating margin: 24.6% (2015: 21.6%; 2014: 18.1%; 2013: 16.3%; 2012: 12.7%); Profit before tax: £774.8m (2015: £629.5m; 2014: £467.0m; 2013: £337.1m; 2012: £218.2m).

² 2012 comparatives restated for IAS 19 Employee Benefits (revised).

NON-FINANCIAL KPIs

Customer survey

We participate in the Home Builders Federation/NHBC National New Homes Customer Satisfaction Survey* to help improve our overall service and the quality of our homes.

Graph removed

Strategic priority:
Excellent
customer focus.
See pages 20
and 21.

RIDDORs

Our priority is the health and safety of our workforce and visitors. We regularly monitor and review our performance based on our accident rate of RIDDORs reported per 1,000 workers.

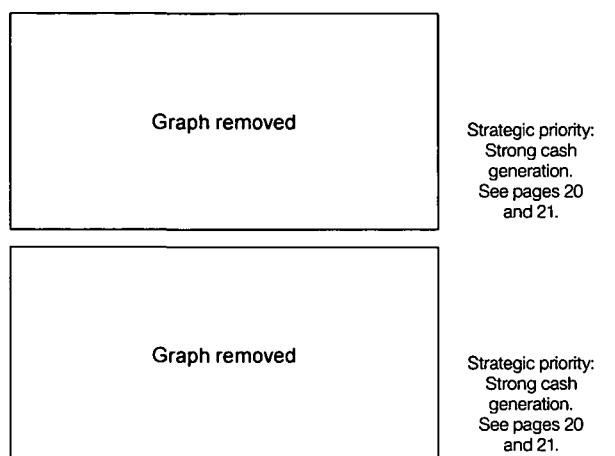
Graph removed

Strategic priority:
Robust health
and safety.
See pages 20
and 21.

* Questionnaires returned for homes sold from October to September each year. Star rating out of 5.

Cash and cash flow measures

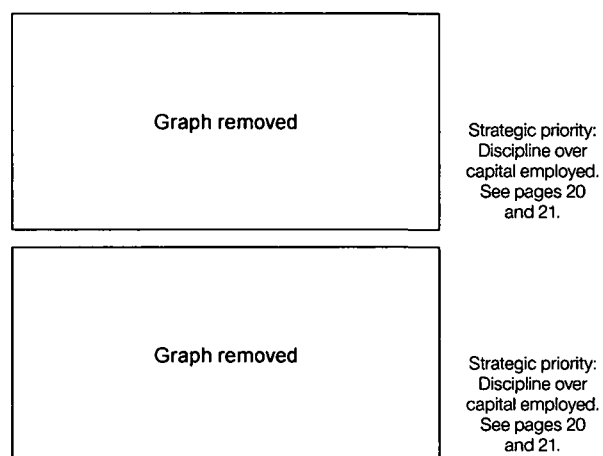
Cash and free cash generation are used to measure balance sheet strength and liquidity. Ensuring we have an appropriate capital structure to support our strategy is a key to our success.



³ Free cash generation is defined as net cash flow before financing activities.

Return measures

A combination of revenue and margin improvement will deliver growth in return on invested capital. We will continue our disciplined approach to working capital management.



⁴ Stated before exceptional items and goodwill impairment. After exceptional items and goodwill impairment the figures are as follows: Return on average capital employed: 39.0% (2015: 31.7%; 2014: 24.2%; 2013: 18.0%; 2012: 12.0%).

⁵ 2012 comparatives restated for IAS 19 Employee Benefits (revised).

Strategic report

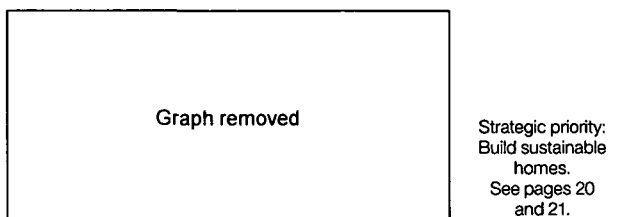
Governance

Financial statements

Other information

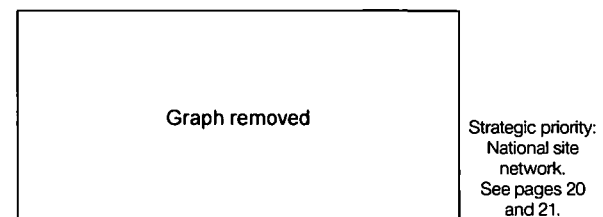
Waste generated per home sold and % recycled

To monitor our operational and environmental efficiency, we collect data on the amount of waste we generate and recycle for each home we sell.



Landbank

Land is our key raw material and we monitor the amount of land we control with planning permission to ensure that we have continuity of supply.



STRATEGIC UPDATE

Growth and capital discipline through the cycle

The Group's strategy launched at the start of 2012 is designed to create superior sustainable shareholder value over the long term and through the housing cycle.

Strategic update

Persimmon's strategy, launched in 2012 is designed to create superior sustainable shareholder value over the long term through the housing cycle. The Group is focused on delivering high quality growth to meet customer demand by building well designed homes of quality in places where people wish to live and work.

The Group has 29 separate housebuilding businesses operating across the UK. Each of the management teams have shared aims and values grounded in a strong understanding of the basics of good housebuilding. Over many years they have worked closely with local communities to design and deliver developments that provide the new homes and associated infrastructure which make thriving local communities possible. Investing in high quality land, designing and building good quality homes and helping to create sustainable communities in desirable locations will remain our focus. Persimmon is proud to make such an important contribution to the future prosperity of its local markets.

The success of our strategy is dependent on optimising the execution of the key elements of our business model:

- Ensure our land replacement activity is of the highest standard supported by achieving the optimal scale for each of our regional businesses;
- Strategic land investment and its conversion into high quality developments with detailed planning consents is prioritised to maximise shareholder returns over the long term;
- Optimise the Group's capital structure with disciplined management of the capital employed within the business through the housing cycle; and
- Create greater certainty for shareholders regarding the value and timing of returns.

The successful execution of the Group's operational objectives in the context of this strategy, whilst minimising operational and financial risks, will deliver surplus capital across the housing cycle. The strategy is designed to generate the maximum sustainable returns and added value for our shareholders in compensation for accepting the principal risks that we face.

The Group's capital discipline is reinforced through our long term Capital Return Plan which, in 2012, initially committed to return £1.9bn (£6.20 per share) of surplus capital to shareholders over ten years ending in 2021. On 23 February 2016 this commitment was strengthened when the total value of the Capital Return Plan was increased by 45% to £9.00 per share, or c. £2.76bn, by adding a further £2.80 per share, or c. £860m, of scheduled payments.

As announced on release of these results the Board has decided to increase the Capital Return Plan by a further 25 pence per share, or c. £77m, to a total of £9.25 per share, which now represents a 49% improvement over the original Capital Return Plan value. This additional 25 pence per share return is to be paid on 31 March 2017.

The Group's cash generation has been excellent. This has supported significant investment in new land of over £3.1bn, bringing over 120,000 new plots into the Group's landbank since the global financial crisis in 2008. In addition we have increased our construction activity significantly to support the expansion of the number of new homes delivered to customers by over 60% since the launch of the Group's strategy in 2012. This substantial growth has been achieved whilst also returning £1.07bn of surplus capital to shareholders, well ahead of the original Capital Return Plan schedule.

Persimmon has delivered further significant progress in 2016 as follows:

Growth

Persimmon has increased its revenues year on year by 8% to £3.14bn, legal completions of new home sales increasing to 15,171 in total, 599 homes higher than last year.

Our strategy is to secure and maintain a sustainable market share in each of our regional markets. To support the delivery of high quality growth we opened two new businesses at Launceston in Cornwall and Perth in Scotland on 4 January 2016. In addition, we opened an additional new business in Mansfield, north of Nottingham on 2 January 2017. In total we have invested in five new businesses over a period of just over two years to strengthen the Group's infrastructure for the delivery of increased new home output across the UK.

Over the long term the Group's optimal annual private sales rate from each active site has been around three new homes sold every four weeks (or c. 0.75 of a sale per site per week), with efficiencies and returns being maximised at this level. During 2016 the Group achieved a weekly sales rate of 0.72 (2015: 0.67), an increase of c. 7% year on year.

Achieving disciplined growth in the scale of our housebuilding operations to support further advancement in the Group's cash generation and returns remains a key focus.

Momentum

Total forward sales at 24 February 2017, including legal completions so far this year, increased to £1.89bn, 9% stronger than at the same point last year (2016: £1.74bn).

Resilience

The effectiveness of the Group's operations depends upon the skills and expertise of all our employees and subcontractors and in particular the teams engaged in land sourcing and acquisition, design, site management and construction, sales and customer care. We continue to invest in our employees, their skills and the supporting systems and processes to help the teams achieve success.

The investment in our land, planning and design teams is supporting the Group's land replacement activity, with a keen focus on opening up new development sites as quickly as possible. We opened 255 new sales outlets during 2016, slightly ahead of the prior year. Achieving implementable detailed planning consents remains a challenge. However, we have an excellent pipeline of new opportunities approaching the point at which a planning consent should be secured which will support the Group opening a further 90 new sales outlets in the first half of 2017.

Over the five years since the launch of the Group's new strategy we have opened almost 1,000 new sales outlets. The Group currently has a strong network of c. 390 sites across all regions of the UK (2015: c. 375). The Persimmon team's skills, expertise, and hard work make the Group's operations strong and resilient.

Asset strength

The Group owned c. 52,800 plots of land which have an implementable detailed planning consent at 31 December 2016 (2015: c. 54,300 plots). This landbank provides the Group with the necessary surety of supply over the short term to support our planned output. As local planning authorities complete their land allocations in 2017 to fulfil their local housing needs over the next five years in line with requirements of the National Planning Policy Framework, we will work to secure planning consents to support the Group's future growth in partnership with these local planning authorities and other stakeholders.

60%

increase in the number of new homes supplied since 2012

c. 1,000

sales outlets opened since 2012

Strategic update
continued

39.4%

Return on average capital
employed*

We own a further c. 18,000 plots of land (2015: c. 8,700 plots) which are progressing towards detailed consent at this point. As we work through the specific planning requirements and conditions to enable a start on site these plots will feed into our current landbank over future years.

We are encouraged by the Government's plans to continue to improve the planning system with the recent Housing White Paper containing some further opportunities for simplification and efficiencies. These changes recognise that delivering new sites for construction swiftly remains a key challenge for the industry. By increasing the number and diversity of new residential development sites the Government is attempting to not only reduce the chronic under supply of new homes across the country but is also focused on delivering these new homes in locations where people prefer to live and work. For our part we support these actions and will focus the Group's efforts on delivering new housing developments as quickly as possible to these communities to fulfil local housing needs.

Complementing the Group's owned landbank is land that we control under exchanged contracts but which have yet to reach a satisfactory condition to allow purchase completion. Unfortunately we continue to experience significant delays to achieving substantive progress in many of these situations which prevent this land being released for a construction start. The c. 26,400 controlled plots (2015: c. 30,700 plots) are at an earlier stage in the planning journey and the ultimate acquisition of this land typically remains subject to achieving clearance of numerous planning conditions and technical consents. We are working hard to achieve these implementable detailed consents to allow us to make a start on these sites as quickly as possible.

During 2016 the Group was successful in acquiring 18,709 plots of new land in 86 locations, of which 11,268 plots were

converted from our strategic land portfolio in 41 locations. Since the launch of the new strategy, we have successfully converted c. 38,700 plots from our strategic land portfolio and invested in a further c. 8,500 acres of strategic land. At 31 December 2016, of the plots owned in our consented landbank together with the plots under our control, c. 48% were previously within the Group's strategic land portfolio.

We remain confident of further significant success in achieving detailed planning permission for our strategic land over the next few years as we continue to invest in promoting their sustainable qualities. We will ensure we remain disciplined in retaining the appropriate liquidity in the business to successfully support the delivery of both the housing numbers and the associated infrastructure to local communities. Our commitment to serving our markets is reflected in the scale of our land investment activity since the launch of the Group's strategy in 2012. Over the last five years we have acquired over 98,500 plots of land to support the growth of the Group whilst spending c. £2.6bn.

Returns

Persimmon's return on average capital employed* ('ROACE') for 2016 of 39.4% improved by 23% from 32.1% in 2015.

This substantial improvement in returns was supported by the 13% growth in underlying operating margin** to 24.8% in 2016 (from 21.9% in 2015). Underlying operating profits** for the year increased by 23% to £778.5m (2015: £634.5m). The continued improvement in the underlying margins of the Group is supported by the reduction in land cost recoveries on new home legal completions in the year. The quality of the new land replacement achieved in 2016 has continued to embed further high quality returns in the Group's forward landbank which will be released over future years.

24.8%

underlying operating
margin**

* 12 month rolling average and stated before goodwill impairment.

** stated before goodwill impairment of £8.0m.

The Group's continued focus on managing its construction programmes to deliver the new homes reserved by our customers promptly resulted in an industry leading asset turn, with work in progress representing just 20% of 2016 revenues. This capital efficiency is supportive of higher levels of returns.

The Group delivers strong liquidity reflecting our focus on the cash efficiency of our key business processes. The free cash generated by the business before capital return and before land creditor movement in 2016 was £711.3m, or 231 pence per share (2015: £383.7m, or 125 pence per share). Since the launch of the new strategy the Group has generated over £1.96bn, or c. 640 pence per share, of free cash before capital returns.

The Group's return on equity for 2016 increased by 7% to 24.1% (2015: 22.5%). The Group's aim of growing the business to meet market demand delivered a 20% increase in post tax profit in the year whilst our focus on capital discipline, supported by the Capital Return Plan, contained the accretion in equity value to 11% to £2.74bn (2015: £2.46bn).

Surplus capital

On 23 February 2016 the Directors announced the acceleration of the fourth instalment under the Capital Return Plan of 110 pence per share, amounting to £338m, which was paid on 1 April 2016.

At the same time, the Directors increased the Capital Return Plan by £2.80 per share, or c. £860m, a c. 45% increase in total value. As a result £5.50 per share remained to be paid over the last five years of the Capital Return Plan to 2021. This value is to be paid in equal instalments over the remaining five years of the Plan period.

As explained in the Chairman's Statement, the Directors are further increasing the Capital Return Plan with a payment of 25 pence per share, or c. £77m to be paid on 31 March 2017. This payment will be a first interim dividend for the 2016 financial year. The Board has also confirmed that the scheduled capital return of £1.10 per share will be paid as a second interim dividend for the 2016 financial year on 3 July 2017. We will not be paying a final dividend for the 2016 financial year.

The revised schedule of payments under the Capital Return Plan will now be as follows:

Original Plan	New Plan	Original Plan Pence Per Share	New Plan Pence Per Share
28 June 2013	28 June 2013	75 paid	75 paid
	4 July 2014	–	70 paid
30 June 2015	2 April 2015	95 paid	95 paid
	1 April 2016	–	110 paid
	31 March 2017	–	25
30 June 2017	3 July 2017	110	110
	6 July 2018	–	110*
30 June 2019	5 July 2019	110	110*
30 June 2020	6 July 2020	115	110*
30 June 2021	6 July 2021	115	110*
Total		620	925

* Current anticipated profile of payments.

We will continue to review future Capital Return payments in the context of market conditions and the performance of the business.

Over and above this short term outperformance, the Board has also assessed the longer term prospects of the Group and the effectiveness of its strategy. The Board's conclusions are explained within the Viability Statement on page 30.

HOW WE MANAGE RISK

Long established and effective framework

Persimmon has a long established and effective framework for identifying, monitoring and managing the risks faced by the Group. Management implement the Board's policies on risk control through the design and operation of appropriate internal control systems.

Board

- Sets the Group strategy
- Establishes the policy of risk mitigation and control
- Ensures appropriate financial controls are in place
- Regularly monitors Group risks
- Reviews the effectiveness of internal controls
- Reviews Group performance against budget and forecasts

Audit Committee

- Monitors the integrity of the Group's financial reporting process
- Approves the Group Risk Manager's annual risk management programme
- Monitors the statutory audit

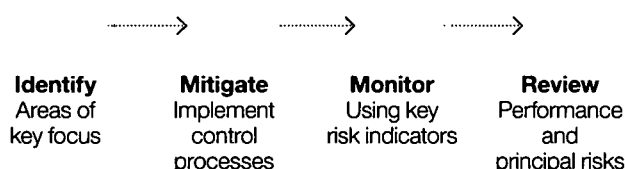
Risk Committee

- Determines appropriate control procedures are in place
- Reviews operational risk performance
- Involvement in each operating business management meetings
- Reviews reports from Group Risk, the Health and Safety Director and the Corporate Responsibility Committee

Group Risk Department

- Risk based programme of internal audit project work
- Compliance testing and assurance
- Production of KPI data on the Group's key risks
- Maintenance of Group Risk Register

OUR RISK MANAGEMENT SYSTEM



Key areas of focus during 2016

- Quality of new land investment
- Monitoring health and safety policy and procedures
- Review of the carrying value of the Group's land and work in progress including the accuracy of cost recoveries
- Review of the carrying value of shared equity receivables
- Review of customer care, procedures and resources
- Review of the Group's Principal Risks and Risk Register
- Transition to new External Auditor

PRINCIPAL RISKS

Identifying what may affect our performance

The principal risks which may affect our business and the future performance of the Group are set out below.

Risk	Impact	Mitigation	Change in 2016
UK's exit from the EU	Following the referendum vote on 23 June 2016 and the decision to leave the European Union, uncertainty surrounding the outlook for the UK economy has increased. Such uncertainty may reduce consumer confidence such that demand and pricing for new homes may be impacted affecting revenues, profits and cash flows and may result in the impairment of asset values. In addition, the devaluation of the UK currency and a possible tightening of the availability of construction skills due to potential changes to legislation governing free movement of labour may impact costs and build activity.	We continue to closely monitor the impact of this increased uncertainty on the UK economy and the housing market through the review of external information and changes in the behaviour of our customer base. Close management of work in progress levels matching supply to demand will continue and land investment decisions will continue to be assessed, including measures to ensure exposure to market disruption is mitigated. The overall shortage of supply of housing in the UK may provide a degree of support to the housing market should these circumstances arise. Action taken by the Government to adjust policy to support UK economic performance may provide further mitigation as might any response with respect to interest rates by the Bank of England. We will continue to employ robust tendering processes to maintain strong cost control over Group sourcing. In addition, we will remain focused on our training initiatives to improve the supply of the necessary construction skills the Group requires.	
National and regional economic conditions	The housebuilding industry is sensitive to changes in unemployment, interest rates and consumer confidence. Any deterioration in economic conditions may significantly decrease demand and pricing for new homes, which could have a material effect on our business revenues, margins and profits and result in the impairment of asset values.	We control the level of build onsite by closely managing our work in progress levels. We carry out extensive due diligence prior to our land investment decisions to capture best returns. We monitor our geographical spread to mitigate the effects of local microeconomic fluctuations. We monitor lead indicators on the future direction of the UK housing market so as to manage our exposure to any future market disruption.	
Mortgage availability	Any restrictions in the availability of mortgages for our customers could reduce demand for our homes and affect revenues, profits and cash flows. Early withdrawal of the Government sponsored Help to Buy scheme could reduce demand from first time buyers and other customers impacting revenues, profits, and cash flows.	We monitor Bank of England commentary on credit conditions. We ensure that our investment in land and work in progress is appropriate for our level of sales and our expectations for market conditions. We monitor the Council of Mortgage Lenders' monthly reports and lenders' announcements for trends in lending. The Government's Help to Buy scheme, which currently is anticipated to remain available until 2021, supports customers to gain access to the housing market across the UK with very competitive mortgage rates.	
Health and safety	The health and safety of our employees, subcontractors, home owners and visitors to our construction sites is of paramount importance to us. Accidents on our sites could lead to reputational damage and financial penalties.	We ensure that the Board's health and safety strategy is implemented by our comprehensive management systems and controls, overseen by our Group Health and Safety Department to minimise accidents on our sites.	
Regulatory compliance	Our business is subject to extensive and complex laws and regulations relating to planning and the environment. Our obligations to comply with legislation can result in delays causing us to incur substantial costs and prohibit or restrict land development and construction. Non compliance could also result in damage to the Group's reputation.	We operate comprehensive management systems to ensure regulatory compliance. We hold a landbank sufficient to provide security of supply for short to medium term requirements and engage extensively with planning stakeholders.	
Materials	Expansion in UK housebuilding has driven an increase in demand for materials and may cause availability constraints and/or costs to increase ahead of our expectations.	We closely monitor our build programmes and our supply chain enabling us to manage and react to any supply chain issues. We build good relationships with suppliers to maintain consistency of supply and management of costs. To strengthen our control over brick supply and cost, we have recently constructed our own brick plant, which will be commissioned in Q1 2017. This complements our existing offsite manufacturing capability at Space4, the Group's business producing timber frames and highly insulated wall panels and roof cassettes which provides a modern method of constructing new homes.	
Labour	Having an appropriately skilled workforce is a key requirement for housebuilding. Expansion in UK housebuilding has increased demand for skilled labour which may create site resourcing shortfalls and/or increase labour costs ahead of our expectations.	We closely monitor our build programmes to enable us to manage our labour requirements. We operate in-house apprentice and training programmes to supply the Group with skilled labour. We are committed to playing a full and active role in external initiatives to address the skills shortage such as the Home Building Skills Partnership, a joint initiative of the Construction Industry Training Board and the Home Builders Federation. Where appropriate we use the Group's Space4 modern method of construction which reduces the site based skilled labour required in the construction of our homes.	
Strategy	The Board has adopted its strategy as it believes it is the one most likely to add the greatest sustainable value for shareholders and stakeholders. It is possible that, with time, factors become known that indicate that the strategy currently being pursued is not the most effective or efficient and that alternative strategies may be more appropriate.	The Group's strategy is agreed by the Board at an annual strategy meeting and thereafter regularly reviewed at Board meetings and by the Executive Directors. The Board engages with management and employees to ensure the strategy is communicated and understood and that all employees have a clear understanding of the potential benefits and risks of the strategy. Further information is included in the Strategic Update from page 24.	

Key:

Increased risk

No change

Decreased risk

VIABILITY STATEMENT

The Directors have assessed the viability of the Group up to 31 December 2021

The Directors have assessed the longer term prospects of the Group in accordance with provision C.2.2 of the UK Corporate Governance Code 2014.

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. 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 the Capital Return Plan on 31 December 2021.

A key feature of the Group's strategy launched in early 2012 and documented in the Strategic Report is the Group's commitment to maintain capital discipline over the long term through the housing cycle. On launch, this commitment was reinforced with the announcement of the Group's Capital Return Plan. This Capital Return Plan initially committed to return £1.9bn of surplus capital over the following ten financial years. On 23 February 2016 the Directors strengthened that commitment with a c. 45% increase in the value of surplus capital to be returned, an additional c. £860m, or £2.80 per share. As explained in the Chairman's Statement, the Directors are further strengthening that commitment to the Capital Return Plan with an additional payment of 25 pence per share, or c. £77m to be paid on 31 March 2017, increasing the total amount to be returned to shareholders over the Capital Return Plan period to £9.25 per share.

The Group has now completed five years of this Capital Return Plan. Therefore the Directors have determined that the remaining five years of this Capital Return Plan ending 31 December 2021 is an appropriate period over which to provide this Viability Statement.

The use of a longer time horizon reflects the business model of the Group, new land investments generally taking at least five years to build, sell and for the development infrastructure to be adopted by local authorities.

In making this statement, the Directors have carried out a robust assessment of the principal 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.

On an annual basis the Directors review financial forecasts used for this Viability Statement. This review includes both five-year business plans constructed from the bottom up and ten year projections built from the top down. These forecasts incorporate assumptions about the timing of legal completions of new homes sold, average selling prices achieved, profitability, working capital requirements and cash flows, and are designed to test the Group's ability to fulfil its strategic objectives.

The forecasts are subjected to sensitivity analysis, involving the flexing of key assumptions reflecting severe but plausible scenarios. A range of scenarios are modelled to reflect changing circumstances with respect to the principal risks facing the Group together with the likely effectiveness of mitigating actions that would be executed by the Directors. These scenarios include consideration of the impact of reduced sales rates together with lower average selling prices resulting from an assumed deterioration in consumer confidence, reduced affordability and a contraction in mortgage lending.

THE UK HOUSING MARKET AND BRAND PERFORMANCE

2016 saw good levels of consumer confidence

The UK housing market

In 2016 the new build housing market experienced continued recovery in industry output, supported by good levels of customer confidence and strong support from a disciplined mortgage market.

The market in the first half of the year was supported by the continuation of low interest rates, healthy employment levels and some improvement in real disposable household incomes which provided positive conditions for the market. We experienced the traditional seasonality of demand with a confident spring sales market. There was a substantial increase in overall market activity in February/March as investors pulled forward purchase decisions in anticipation of the tax changes implemented from early April. However, whilst this did move some new build demand forward to the first quarter of the year, trading continued to outperform the prior year during the run up to the EU referendum on 23 June 2016. This was achieved despite strong comparatives in the prior year when confidence recovered after the General Election in May 2015.

Despite some understandable caution being exercised by consumers and corporates alike during the period ahead of the EU referendum, the result created

an immediate and significant uncertainty in the markets. However, the vast majority of the Group's customers remained focused on exchanging contracts and completing their new home purchases. As a result we were able to increase the number of new homes sold in the first half of the year by 383 homes to 7,238 legal completions, a 6% increase year on year. In addition we were able to carry forward a similar value of forward sales into the second half as at the same point last year at £1.36bn.

Mortgage approvals reduced during the summer weeks in line with normal seasonal activity levels whilst markets regained their composure as the performance of the UK economy remained resilient. Our sales through the summer weeks were strong, supported by the sales release of 35 new outlets for which we had advanced build in response to early indications of strong levels of customer interest. As always, we ensured we had an appropriate number of plots released for sale on existing sites to ensure customers had a good choice of house types available whilst remaining mindful of fulfilling their expectations for acceptable construction delivery dates. In addition, the cut in Bank Rate to 0.25% by the Bank of England on 4 August 2016 together with the introduction of a package of measures to support growth in the

15,171

New homes completed

Strategic report

Governance

Financial statements

Other information

Image removed

The UK housing market and brand performance
continued

£3.14bn

Revenue for 2016 +8%

economy, including the Term Funding Scheme, provided further support to the market.

As we moved into the autumn we experienced the usual seasonal increase in demand. Mortgage lenders provided robust support to customers with compelling mortgage offers. Whilst overall mortgage approvals were slightly weaker than for 2015 through the autumn our average weekly private sales rate for the second half of the year was c. 15% stronger year on year. We believe that the greater availability of good quality newly built homes, together with access to the Government sponsored Help to Buy shared equity scheme for first time buyers, has led to the new build housing market increasing its market share of overall housing transactions relative to the second hand market. We believe the Group's focus on house types that appeal to both first time buyers and first time movers within the mix of homes offered for sale on our typical developments provides strong support for our site activity and greater confidence for our investment in build. The recent confirmation of the duration of the existing Help to Buy scheme to 2021 in the Housing White Paper together with the commitment for early consideration of the future of the scheme provides important visibility for the industry. Affordability of newly built homes remains very attractive when compared to the cost of renting an equivalent house in a similar location.

The industry's two main challenges to delivering further expansion of new build housing volumes remain opening new sales outlets as swiftly as possible in increasing numbers together with resourcing sites with the appropriate level of skilled labour to support increased build activity.

In 2016 we were successful in opening 255 new sales outlets, a similar number to the prior year. However, as we have seen over recent years, our active outlet network has remained at similar levels at c. 380 sites. Securing implementable detailed planning consents for new land parcels remains a challenging and time consuming process, even after the

principle of residential development has been achieved on securing an outline planning consent. Measures contained within the Neighbourhood Planning Bill and the Government's recent Housing White Paper should lead to some progress being made. We will continue to work with all stakeholders to identify and secure further opportunities to improve the efficiency of the planning system at the local level which will allow an earlier start of construction activity on site.

Achieving an increase in the number of separate locations where land is allocated for residential development by local planning authorities is an important and necessary step towards achieving the required increase in active outlet numbers across the industry. In turn this will allow the industry to increase the numbers of new homes built and sold to meet this local demand from these increased site locations. We hope that this platform is secured by local planning authorities on identifying the appropriate land release within their five year plans as required by the National Planning Policy Framework.

We have worked hard to increase our rate of new home construction despite the availability of skilled labour remaining challenging during the period. The Board remains committed to increasing its investment in training both trade apprentices in the necessary site skills and graduate trainees across all functions in the business to support higher sustainable levels of output. We are pleased with the progress of our 'Combat to Construction' initiative which provides re-training opportunities for service personnel on leaving the armed forces. Our complementary 'Upskill to Construction' initiative is also supporting mature trainees to gain the required construction skills across the country. We look forward to utilising the Government's new Apprenticeship Levy from its introduction in April this year to provide stronger support to our skills training initiatives with the objective of delivering increasing numbers of newly trained employees to support the desired expansion in output.

The Group has continued its drive to improve productivity and secure efficiency improvements to mitigate some of the pressures resulting from the desire to increase build rates on site. Greater visibility of anticipated build completion dates and prompt delivery of new homes to our customers, combined with active management of site resourcing and construction programmes, is helping to improve the progress of our development activities. Greater utilisation of our core Group house types as new sites open is also helping to secure increased production, particularly when supported by our Space4 modern method of construction processes. During the current year we plan to deploy new management tools to assist site work flow to help achieve further site efficiencies and support productivity gains.

The availability of the Government's Help to Buy scheme remains an important facility supporting greater access and increased participation of first time buyers in regional new build housing markets. Mortgage lenders continue to support this 20% shared equity loan scheme with very competitive interest rates, with Help to Buy mortgage products remaining the most attractive opportunity for customers to buy a new home. During 2016 we sold 6,970 new homes to customers who have taken advantage of the scheme, 5,852 in England, and 1,118 in Wales and Scotland, where we have seen good take up of the equivalent shared equity products.

We welcome the introduction of the Government's 'Starter Homes' initiative as outlined in the recent Housing White Paper. We will be focusing on identifying early opportunities to contribute to this extension of affordable housing tenures to local communities where appropriate.

During 2016 our two private sale brands, Persimmon and Charles Church, delivered strong performances in their regional markets.

Persimmon

The Persimmon brand delivers traditional family housing to the private owner occupier market in locations where customers wish to live and work. Total revenues for Persimmon increased by 12% over last year to £2,242m (2015: £2,005m).

Reflecting Persimmon's market positioning on sites across all regions of the UK, the brand continues to offer an extensive choice of new homes at affordable prices. Persimmon's average selling price of £205,597 for 2016, increased 3.0% over the prior year (2015: £199,661). We remain focused on delivering homes that provide good affordability, supporting greater access to the housing market for customers who have the opportunity to own their own home. For the Group as a whole, just under 50% of our total private market sales were delivered at prices of less than £200,000.

In line with the Group's strategy we have improved our build rates and successfully increased legal completion volumes by 9%, or by 863 new homes, to 10,906 for the year (2015: 10,043). This was the main driver of the growth in revenues for Persimmon. Our focus on the first time buyer and first mover segments of the market, with attractively designed Group house types that customers have found compelling to buy whilst taking advantage of the Government sponsored Help to Buy scheme, has supported this expansion in output.

Persimmon generated 43% of legal completion volumes and 51% of revenues from our southern regional markets with an average selling price for the year of £243,858 (2015: £237,786). This southern regional market average selling price was 38% higher than that of our northern regional markets of £176,890 (2015: £170,388). The highest average selling price was again achieved by our Shires market at £281,252 (2015: £268,536). Good volumes of sales were delivered from higher value sites at Harborne and Leamington, south of Birmingham and Coventry respectively,

£205,597

Persimmon Homes average selling price increased by 3.0%

The UK housing market and brand performance
continued

and at The Boulevards at East Tilbury. The North East market delivered the lowest average selling price for the year at £163,777 (2015: £159,173) with sites such as Portland Park, Ashington and The Hawthorns, Hartlepool, achieving higher volumes of sales at lower price points to first time buyers.

For the first half Persimmon's legal completion volumes increased by 13% (585 homes) over last year and were up 5% (278 homes) in the second half, resulting in growth of 9% (863 homes) for the year as a whole. Growth in the second half appears more muted but is largely down to particularly strong comparatives which were buoyed by strong sales post the May General Election in 2015. In fact, second half sales for Persimmon in 2016 were 620 units, or 12%, stronger than for the first half. Second half sales benefited from additional sites being released for sale through the summer following the EU referendum for which we had advanced build in response to indications of strong demand. Persimmon sales rates reflected a confident market throughout the second half.

Across our regional markets the highest volumes were secured in our Shires and Scottish markets with 1,539 and 1,492 legal completions respectively. In addition, our North East, Midlands and Western markets also produced very strong sales with each delivering over 1,250 legal completions. The four new businesses we opened in 2015 and 2016 all made a good start to trading and have made solid contributions to Persimmon's growth. We will pursue this controlled growth to achieve a sustainable market share for each of our regional businesses in line with the Group's strategy.

Competition in the land market has remained disciplined for the improved land supply resulting from the consistent application of the planning regulations

within the National Planning Policy Framework. Through 2016 we remained keen to invest in new land offering compelling returns, whilst adopting a cautious and controlled approach given we remain wary of the risks and increased uncertainties associated with the EU referendum result. The Group is in a strong position to remain selective in its land replacement activities given the strength of its existing asset platform.

Persimmon owned and controlled 66,382 plots in its forward consented landbank at the end of 2016 having acquired 14,321 plots of new land during the period. Of these total plots, 36,855 plots have an implementable planning consent. All these sites are under construction. This landbank represents c. 3.4 years of forward supply at 2016 output levels. We remain keen to sell and develop all these sites as promptly as market conditions allow, asset efficiency and higher levels of return on capital employed being key deliverables for all our operating companies.

The Group had another successful year in securing planning consents for residential development from its strategic land portfolio. We delivered 8,403 plots into our owned and controlled landbank within the Persimmon business over 36 sites, which represents 77% of the plots consumed by legal completions in the year. We secured notable consents for 300 plots at Rainham, in South East which includes a Westbury Partnership housing allocation of 75 plots, and for 450 new homes at Lichfield in West Midlands, which we intend to triple brand with 80 plots allocated for Charles Church and 139 homes for Westbury Partnerships.

Our joint developments with St Modwen also delivered good growth from the eight active sites under construction, selling 172 new homes during the year (2015: 331 legal completions).

Charles Church

Charles Church delivers executive housing in premium locations across the UK. We ensure that its market positioning is complementary to that of Persimmon by differentiating the house types and specification offered by the two brands in the same locations. Utilisation of the distinctive Group house types for each brand as we have opened new sites has resulted in Charles Church selling a reduced number of smaller homes. This brand positioning has continued to reduce the overall number of active outlets offering Charles Church product across the UK to 76 active sites at the end of 2016 (2015: 85). We remain keen to invest in these higher value premium locations where our market research points to strong demand for the Charles Church product which will support higher returns on invested capital due to the stronger sales rates.

Total revenue for 2016 of £657m was 3% lower than the prior year (2015: £676m). The Charles Church average selling price of £321,209 increased by 13.2% (2015: £283,690) supported by 55% of its sales being completed in more southern markets which experienced good pricing conditions through the year.

Charles Church experienced particularly strong demand on sites at The Coppice, Weston-Super-Mare, at Castle Mead in Trowbridge and at The Croft, Burgess Hill, north of Brighton.

Total legal completion volumes for Charles Church of 2,047 new homes reduced by 335 units compared with last year largely due to the reduced number of active sales outlets. The reduction in legal completions was higher in the first half of the year (by 224 new homes) due to the slightly later timing of new site openings. Legal completions in the second half of the year for Charles Church were 101 new homes higher than for the first half reflecting the stronger spring sales season, sales reservations taken in the second quarter of the year largely being delivered in the second half.

Larger sites may allow us to provide a differentiated offer to deliver both Persimmon and Charles Church branded new homes in a location assisted by the Group core house types for each brand. By using this dual branding opportunity we are able to optimise our sales rates from the site and achieve a swifter asset turn by attracting customers from across the widest range of the home buying public. This allows our site operations to run more

£321,209

Charles Church average selling price increased 13.2%

Image removed

Charles Church, Sycamore Gardens, Stamford.

The UK housing market and brand performance
continued

£106,889

Westbury Partnerships
average selling price
increased by 4.0%

efficiently with consequential benefits being captured across the business, from continuity of site resourcing and build programme management, to health and safety compliance and standards of customer care. We have recently established dual branding with two sales offices at Cheltenham where we plan to sell 250 Persimmon homes and 61 Charles Church homes, and similarly at Frome in Wiltshire on a scheme for 450 new homes where 101 Charles Church homes are available.

Charles Church acquired 1,861 new plots in 2016 and held 11,805 plots in its forward consented landbank at 31 December 2016. Of these total plots 6,720 have an implementable detailed residential development consent which provides c. 3.3 years of forward supply at 2016 sales volumes. In line with our long term operational strategy for the Charles Church business it will retain a shorter landbank than that held for Persimmon. This allows Charles Church to deliver a strong return on capital whilst accommodating the slower sales rate typically associated with the larger and more highly specified Charles Church homes.

Within the Charles Church business 617 plots were converted from the strategic landbank on 5 sites, representing 30% of 2016 legal completions. This success includes a consent at Downton, south of Salisbury for a development of 99 Charles Church homes and at Morpeth in the North East for 50 plots. These sites will support the delivery of superior returns for the business as we take legal completions from them over future periods.

Westbury Partnerships

Westbury Partnerships is our partnership housing business working with housing associations across the UK. Westbury Partnerships delivered 2,218 new homes in 2016, an increase of 3% over last year (2015: 2,147 homes). The average selling price for these homes increased 4.0% to £106,889 (2015: £102,810).

The Group invests in high quality management teams who live in the communities which we support by way of new build housing delivery. We believe this strong local knowledge is essential to designing and developing sustainable communities in locations where families wish to live and work. The Group will continue to seek to develop strong relationships with housing associations to support as many lower income families as possible to access the housing market in line with the aims of the National Planning Policy Framework. By partnering with our housing association colleagues we will continue to focus on supporting the social sustainability of the communities we serve through new housing provision.

As part of the Group's planning processes our Partnerships business will typically work with our housing association partners to identify the mix of house types and tenures required by a local community and the timing of delivery at an early stage. This is usually incorporated within the details of the planning consent granted by the local planning authority for the delivery of new housing in that location. The Group is keen to deliver the newly built homes to our housing association partners as soon as possible in coordination with their funding position. The market for affordable housing continues to be important for us. In 2016 the Group again delivered c. 15% of total legal completions to our housing association partners. At 31 December 2016 we had c. 3,700 affordable housing units forward sold in our order book providing a strong platform for future sales into this market place.

Government measures with respect to funding, rental levels and tenure types are starting to work through the market and will provide opportunities for expansion of housing delivery to lower income families from housing associations and others who commit to construction activity in conjunction with land made available by Government departments. We are working with local authorities and third party funding providers to support the delivery of increased housing numbers through these local authority approved schemes.

The Starter Homes initiative as recently included in the Government's Housing White Paper is an extension to affordable home tenures. This initiative targets the delivery of new homes to first time buyers under the age of 40 on a discounted open market basis and may prove particularly attractive given the support provided to the purchaser by way of the discount offered. We believe this initiative has the potential to support the delivery of more new housing and we look forward to reviewing the detail of the scheme as it is finalised.

Westbury Partnerships is actively involved in managing our relationships associated with the Help to Buy equity loan scheme in England and similar schemes in Scotland and Wales. These schemes are managed on behalf of the Government by the Homes & Communities Agency ('HCA') in England and the Housing Agencies of Scotland and Wales. The Group has sold over 20,600 new homes to customers who have secured Help to Buy mortgages since these schemes started in 2013. The bulk of these sales have been to first time buyers, reflecting the greater access this scheme provides for customers taking their first step into the housing market.

Westbury Partnerships leads the Group's participation in the Government's Affordable Housing Programmes ('AHP') which is focused on delivering low cost homes across the regions. We continue to review the opportunity for Group sites to participate in the AHP 2015-2018, which commenced in April 2015, where appropriate. In 2016 we completed the delivery of affordable homes at East Trowbridge, Bath under this scheme.

The Government continues to seek to use public land through the Delivery Partner Panel ('DPP') mechanism to support the delivery of increased housing numbers. Our Partnerships business has secured the Group's participation in successive DPP frameworks and our

site at Pleasley Hill, Mansfield, sourced through the DPP, will deliver 151 new houses, including 31 affordable homes, on completion. We will seek to continue to participate in the development of newly released public land on appropriate terms on submitting the Group's tender document for the next DPP3 framework which commences in May 2017.

Off-site manufacturing

Space4

The Group's Space4 system is a modern method of construction using off-site manufacturing techniques to produce timber frames, highly insulated wall panels and roof cassettes as a 'fabric first' solution to the construction of new homes. The Space4 construction process delivers high levels of thermal efficiency and positions the Group at the forefront of the industry with its ability to accommodate changes to building regulations that target the reduction in carbon emissions and measures that mitigate global warming in the future. Our Space4 business is based in Castle Bromwich near Birmingham and is entirely focused on supporting the Group's housebuilding businesses. The Space4 system has delivered over 40,000 new homes to the market since launch in 2001.

As we have opened new sales outlets across the UK we have continued to increase the coverage of our Group house types providing the opportunity for the most effective use of the Space4 product. During 2016 we realigned Space4 production to concentrate on delivering our Group core house types which now form over three quarters of all Space4 orders. Whilst this refocusing of the Space4 production planning and work flow has meant overall output for 2016 was reduced a little on the prior year at c. 5,500 units, these kits have been manufactured at

Space4 has delivered over

40,000

new homes to the market since 2001

The UK housing market and brand performance
continued

Brickworks plant with the
capacity to manufacture

c. 80m

bricks per year

greater levels of efficiency. In 2017 we will be seeking to take forward the advantages of this greater efficiency as we look to expand production further, focused on our core Group house types. This increased production volume through the factory will further improve overhead recoveries and reduce unit costs.

The usage of the Space4 construction process across the Group's sites is helping to improve productivity, easing resourcing pressures and increasing our build capacity by simplifying site processes and reducing the traditional skills content within these processes. Space4 has made a valuable contribution to supporting the delivery of the Group's industry leading asset turn of c. 5.1x, an important ingredient in delivering higher levels of returns on the capital invested in the Group's asset platform.

The Space4 factory has the capacity to increase production to support the construction of around 8,000 new homes each year. We are continuing to investigate the further development of the Space4 build processes driven by the design of the Group house types, to secure further improvements for the business.

Brickworks

The Group has used concrete bricks for a number of years to secure the availability of high quality product, particularly through periods of industry growth. In 2016, after completing our detailed due diligence, the Group started construction of its own factory for the manufacture of concrete bricks as a further development of its off-site manufacturing capability. This new facility will secure availability of this key material component for our build process, helping to support the most effective delivery of new homes to the market whilst exercising greater control over our build costs. The greater assurance of supply will assist our build programming and site efficiencies as an aid to capturing productivity improvements. The factory will be entirely focused on supplying the Group's housebuilding operations.

The factory is sited at Harworth near Doncaster with good access to established motorway networks to support efficient logistics for delivery to Group companies. The manufacturing plant has been sourced to deliver a consistent high quality product with a high degree of automation and with strong environmental credentials. The plant is robust in construction having high durability and low maintenance requirements. Subsequent to the planned commissioning in Q1 2017 the plant will have the capacity to manufacture c. 80m bricks each year. This output will satisfy approximately two thirds of the Group's current requirements and deliver a pay-back period of approximately three years on the initial investment of c. £10m.

OPERATING AND FINANCIAL REVIEW

In 2016 underlying operating margin increased to 24.8%

Seasonality and pricing

The Group experienced a traditional seasonal pattern to trading during 2016 but with a particularly strong first quarter as some purchasers brought forward their buying decisions prompted by the change to the tax rules which came into force from April 2016. In addition, we experienced firmer sales activity through the autumn sales season despite market uncertainties associated with the UK's vote to leave the EU. In the first half the Group achieved an average weekly private sales reservation rate of c. 0.75 from an average of c. 355 active sales outlets, whilst through the second half the weekly private sales rate was c. 0.66 from c. 385 active outlets. The private sales rate in the first half of 2016 was c. 4% ahead of the prior year, whilst the second half rate was c. 15% stronger.

Legal completions delivered in the first half of 2016 totalled 7,238 new homes reflecting the conversion of strong carried forward sales from the 2015 autumn sales period (c. 13% up on the prior year) together with sales taken during the spring sales season. First half legal completions were 6% (or 383 homes) ahead of last year (2015: 6,855).

As a result of the growth in legal completions in the first half due to our focus on delivering completed new homes as promptly as possible, we entered the second half with forward sales on a par with the same point in the prior year. However, legal completions delivered in the second half of the year of 7,933 new homes were 216 units (3%) stronger than the prior year due to the strength of the second half market and our drive to increase our build rates. The strength of the market in the second half was in part due to the action taken by the Bank of England in cutting the Bank Rate to 0.25% and introducing measures, including the Term Funding Scheme, to support growth in the UK economy. The Group's second half volume was 695 homes (or 10%) higher than the first half of the year. Despite this

strong growth in legal completions in the second half, forward sales value at the end of 2016 finished c. 12% ahead year on year. This strong carried forward position provides a platform for additional growth in 2017.

For the Group as a whole, selling prices improved modestly through the year, our average selling price increased from £205,762 in the first half to £207,680 in the second half. Against the prior year the Group's total average selling price for the full year increased by 3.8% to £206,765 (2015: £199,127).

The Group experienced an underlying improvement in its average selling price of around half of the 3.8% overall increase, with the change in mix explained in the brand performance review above adding to this gain. For 2016 our southern regional markets accounted for c. 55% of total revenues, reflecting both a greater proportion of higher value Charles Church homes in these regional markets as well as the distribution of our active sales outlet network across the UK.

Profitability

Operational improvements combined with reduced land recoveries associated with opening new sales outlets from more recent land investments added a further 290 basis points to the Group's underlying operating margin** which reached 24.8% (2015: 21.9%) for the full year. In line with our expectations, we maintained our margin progress through the second half of the year achieving a margin of 25.7% in the second six months (2015: 23.0%), margins in the first half being 23.8%.

Given the continued challenges in achieving a detailed planning consent and making a start on site, coupled with our strong sales rates, opening up new sales outlets is key to maintaining the strength of our sales network. We opened 255 new sales outlets in the year (2015: 252 new sales outlets). Our hard work to open outlets as promptly as possible has been rewarded. Land cost recoveries have

£206,765

Group's average selling price increased by 3.8%

255

new sites started in 2016

Strategic report

Governance

Financial statements

Other information

** stated before goodwill impairment of £8.0m (2015: £8.3m).

£681m

free cash flow***

improved and secured an additional 160 basis point contribution to the Group's gross margin year on year. The value of the Group's land recoveries totalled 16.4% of sales for 2016, down from 18.0% in 2015. The continued improvement in land cost recoveries results from the quality of the land we have acquired across the UK as well as the focus on optimising the planning consents we secure to deliver our developments to our local markets. These critical value-added activities are combined with strong control over our development costs.

The growth in the number of new homes we build and deliver to customers provides us with the opportunity to capture productivity gains and overhead efficiencies across the Group. We continue to increase the coverage of our Group house types across our regional markets as we secure new development consents and open new sales outlets. This has allowed us to achieve benefits from further consolidated procurement processes and site construction activities. The Group house types also support our efforts to improve our build programme management and site processes to capture productivity gains. Our site management teams, site workers, sub-contractors and suppliers have all worked extremely hard to support the Group's progress. These efforts have delivered a further reduction in our build and direct costs by 80 basis points to 55.8% of sales (2015: 56.6% of sales) for 2016.

Having opened five new businesses in just over 24 months the Group continues to invest in our management teams, processes and systems to ensure sustainable growth is supported. With our growth in volume in 2016, the Group's operating expense efficiency improved contributing a further 70 basis points to the Group's operating margin year on year. With further growth we expect this trend will continue.

Cash generation, net finance income, and financial assets

The Group's long term strategy has strong cash generation through the housing cycle at its core. By exercising capital discipline, together with maximising the cash efficiency of operational activities, management will deliver strong cash generation whilst minimising financial risk through the cycle. In 2016 we generated £681m of free cash before capital returns, or 221 pence per share (2015: £483m, 158 pence per share) and held £913m of cash balances at 31 December 2016 (2015: £570m).

Net finance income for 2016 was £4.3m (2015: £3.3m). Within this the imputed interest generated on the Group's shared equity receivables totalled £15.9m (2015: £15.7m) whilst the imputed interest payable on land creditors totalled £12.0m (2015: £14.4m).

A key feature of our strategy is the disciplined reinvestment of the free cash generated by the Group. The level of reinvestment will vary over the cycle depending upon actual and prospective conditions in the sales and land markets. During 2016 we increased our investment in development work in progress to support higher levels of output to meet increased demand in the market. However, we remained mindful of the risks associated with the UK's decision to leave the EU and its potential impacts on the UK economy and the UK housing market, as we still are today. In 2016 we were successful in growing our cash margins whilst also optimising the cash efficiency of our land replacement activity. The Group also maintained its superior asset turn. The resulting strong cash generation provided the Group with the confidence and ability to invest in substantial new land holdings at a rate of c. 123% of 2016 consumption.

*** Before capital returns.

We have focused on taking advantage of attractive investment opportunities in a supportive land market where a number of the acquisitions offered good deferred payment terms. However, due to the reduction in absolute number and value of land acquisitions completed year on year the Group has reduced its deferred land creditor obligations slightly, by £18m to £555m at the year end. As a result the growth of the business was financed through the generation of cash inflows from operations before working capital requirements, which totalled £800m in 2016 (2015: £654m), without reducing the cash resources available to shareholders.

The Group has continued to receive strong cash inflows from customers relating to the early redemption of outstanding shared equity loans provided by the Group in earlier years. The carrying value of the outstanding shared equity loans, designated as 'Available for sale financial assets', reduced in the year by £29m to £149m (2015: £178m). The Board has reviewed the carrying value of these receivables and has concluded that the value is appropriate.

The cash efficiency of our business processes combined with our capital discipline is fundamental to the delivery of the Capital Return Plan. The 23% increase in the rate of return on average capital employed* in the business to reach 39.4% (2015: 32.1%) results from our focus on what we believe is the right capital structure for the Group. We are confident that our operational approach will support the execution of our long term strategy. The continued acceleration and significant increase in the value of the Capital Return Plan underscores this confidence.

Land and construction

At 31 December 2016 the carrying value of the Group's land assets was £1,946m, £101m lower than the prior year (2015: £2,047m).

To sustain the business and support the Group's future growth we acquired 18,709 new plots of land during 2016. The Group owned 70,792 plots at the end of the year. Of these total land interests 52,765 plots had an implementable residential planning consent providing c. 3.5 years of forward supply at 2016 output levels. These plots will provide the necessary support to operations as we seek to increase our output levels to optimal sustainable market share in each of our regional markets in the future. We hope to secure an implementable consent on the remaining plots as promptly as the planning system will allow.

Disciplined investment in new land opportunities at the appropriate point in the housing market cycle at attractive values is critical in sustaining superior shareholder value creation over the longer term.

We are currently promoting an additional 26,395 plots through the planning system. The Group has entered into conditional contracts to eventually acquire this land should we be successful in securing a full detailed implementable consent.

Each of our 29 housebuilding businesses is focused on securing high quality returns by acquiring high quality replacement land in their regional markets. The quality of these investments is confirmed by the strong profitability and cash generation of the business and in the quality of the landbank we hold for future development. We continue to invest in the Group's land and planning skills and expertise which allows us to create significant value by identifying compelling acquisition opportunities both in the short term land market and for strategic land investment. Our planning teams continue to focus on optimising our development schemes and bringing the sites into production as quickly as possible.

Five

new operating businesses opened in just over 24 months

* 12 month rolling average and stated before goodwill impairment.

£2,737m

net asset value

Image removed

Charles Church, Penrose Place, Sidmouth.

A fundamental element of the Group's business model is the continued investment in strategic land and successfully promoting this land through the planning system to deliver plots with detailed residential consent. During the year we acquired interests in a further c. 900 acres of strategic land and we converted 11,268 plots of land from our strategic land portfolio, representing c. 74% of the Group's land consumption.

Strategic land in sustainable locations offers local communities the optimal opportunity for new homes to be delivered to meet their housing needs. We focus on securing development opportunities that fulfil all the specific planning requirements to enable the Group to achieve a detailed residential planning consent as quickly as possible. The consistent application of the National Planning Policy Framework in delivering more land for development underpins the industry's confidence to make the substantial investment in land and work in progress that is required to support an increase in output, increasing the supply of new homes to communities across the UK.

We remain determined to pursue our planning applications with local planning authorities and we are confident that our

strategic land portfolio of c. 16,600 acres will yield up to c. 100,000 forward plots for future development by the business in due course.

At 31 December 2016 the carrying value of our work in progress of £617m was £99m higher than the prior year (2015: £518m). The Group is making substantial investments in infrastructure on opening new sites to support prompt delivery of new home sales in increasing numbers. We remain focused on increasing build rates to meet market demand and to deliver as many new homes as is possible on all of the Group's sites that have an implementable detailed planning consent. The Group is carrying a larger volume of plot foundations into the new year providing a strong platform for build completions in 2017.

At the end of the year the Group's work in progress investment represented 20% of 2016 sales, an industry leading asset turn. This supports superior cash generation and returns whilst minimising operational and financial risks. We expect substantial additional investment will be made in work in progress to support the Group's future growth.

The Board reviewed the net realisable value of land and work in progress at 31 December 2016 using consistent principles to prior years and concluded that the carrying value was appropriate. At the year end the Group retained an impairment provision of £48.5m (2015: £62.9m) which is considered adequate to address the potential impact of current market uncertainties on future revenues and direct costs for the relevant sites.

Shareholders' equity, treasury policy and related risks

The housing market is cyclical. Persimmon's long term strategy is designed to mitigate the risks associated with this cycle. By maintaining the disciplined application of capital over the long term we will retain flexibility of funding to support investment in land and work in progress at the appropriate point in the cycle, whilst returning a substantial amount of surplus capital to shareholders. This approach will deliver and sustain greater shareholder value creation over the long term. It will also support the development of the business over the long term whilst minimising financial risk by maintaining a strong financial position.

The excellent progress made to date, together with our confidence regarding the Group's prospects, is reflected in the Directors' decision to enhance the Capital Return Plan further on the announcement of these results for 2016. The Board has decided to make an additional payment of surplus capital of 25 pence per share, or c. £77m, to shareholders as a first interim dividend for the 2016 financial year.

This is a further improvement on the 45% increase to the Capital Return Plan announced on 23 February 2016 when the Board announced an increase of 280 pence per share, (c. £860m) to the Capital Return Plan to a total of £9.00 per share, or c. £2.76bn, over the Capital Return Plan period. The Board has confirmed that the scheduled capital return of £1.10 per share

will be paid as planned on 3 July 2017, as a second interim dividend for the 2016 financial year.

The Capital Return Plan now totals £9.25, or c. £2.85bn, to be paid over the ten year period to 2021, representing a 49% increase over the original Capital Return Plan.

The fourth instalment under the Capital Return Plan of £338m was accelerated and paid to shareholders on 1 April 2016.

The Group's total retained profit after tax for 2016 of £625.3m was 20% higher than the prior year (2015: £521.9m). The Group's retained earnings were offset by an after tax remeasurement loss of £19.0m associated with the Group's pension scheme asset of £23.3m but supplemented by share-based payments of £13.3m.

Total net asset value of the Group for the year ended 31 December 2016 of £2,737m (2015: £2,456m) increased by 11% or £281m. Net assets per share increased 11% over the prior year end to 887.3 pence (2015: 800.7 pence). Cash balances held at the year end increased by £343m and totalled £913m (2015: £570m).

The Group will focus on generating strong liquidity on a consistent basis. The Group maintains revolving credit facilities which, if required, will only be used to support the short term seasonal working capital needs of the business. The Group extended the maturity of its £300m revolving credit facility to 31 March 2021 in 2016. The generation of strong annual after tax earnings, management of the Group's equity, and debt and cash management facilities, together with changes to planned shareholder capital returns will continue to provide the appropriate resources through the housing cycle for the Group to deliver its operational plans. This approach will mitigate the financial risks the Group faces which include credit risk, liquidity risk, interest rate volatility and debt capital market pricing risk.

CORPORATE RESPONSIBILITY

Building a sustainable business

c. 50%

of our private sales were for less than £200,000

Corporate Responsibility

Our Corporate Responsibility Committee reviews, monitors and evaluates sustainability performance within the business. Committee membership is drawn from all parts of the Group's operations to maintain clear alignment with the Group's strategy. By organising its work into the five areas set out below, 'Our Customers', 'Our Environment', 'Our People', 'Our Wellbeing' and 'Our Communities', we ensure that the interests of all stakeholders in the Group are addressed. Detailed information on our approach to Corporate Responsibility together with case studies can be found in our 2016 Sustainability Report available at www.corporate.persimmonhomes.com.

Our Customers

Delivering good quality new homes and great service to our customers is the Group's priority. All members of our team are responsible for delivering high levels of customer satisfaction.

Our land replacement processes focus on acquiring new land in locations which deliver high amenity value to local communities providing great confidence to our customers that they are buying a new home in the right location for their family. Through the drive for excellence in execution of our development plans we have the opportunity to create places where our customers wish to live and work. The Group's house type designs and approach to development scheme layouts is focused on creating sustainable environments that offer a compelling choice for our customers to enjoy.

We continue to invest in the skills and systems that support our sales teams to provide excellent levels of service to our customers, particularly in respect of the specification of our homes and the amenity value of each of our developments. We understand that buying a new home, and then preparing to move in, is complicated and at times challenging. Our sales teams have the expertise to

provide information and guidance on the home buying process and will support our customers with the practicalities of moving day to make it as straightforward and enjoyable as possible.

As part of our design process we listen to our customers comments regarding house type design, finishes and features to ensure our new homes offer choices that our customers prefer. A key part of our sales and development process is to offer good availability and choice of house types on all our developments. We believe an important element to delivering good service to our customers is to enable them to reserve their new home at an early stage in the development process so as to create as much certainty as possible in support of their buying decision. This allows greater opportunity for our customers to choose from a range of bespoke extras which we offer through our Finishing Touches range so as to deliver a home tailored to their needs and preferences. We aim to make the legal process of buying the home as straightforward and prompt as is possible working closely with the customer's solicitor and mortgage provider to conclude matters efficiently.

Supporting the affordability of new homes for our customers by providing a comprehensive range of selling prices and by exercising strong control over development costs is of paramount importance to us. Our site sales teams support our customers in deciding on the right choice of new home for their family. In 2016 the Group's average selling price was £206,765 with c. 50% of our private new homes being sold for £200,000 or less. Our typical house type mix on a development provides a comprehensive range and is designed to generate strong interest from first time buyers and first time movers. The Government's Help to Buy shared equity loan scheme is providing greater access to the owner occupier market, principally for first time buyers, by supporting the buyer to purchase a newly built home with a 5% deposit. Mortgage lenders are also keen to support these customers and offer the most favourable interest rates on loans

associated with this scheme. During the year 6,970 of our customers bought a new home with a Government Help to Buy shared equity loan.

We also seek to provide strong support to existing home owners to achieve their move into a newly built home. We offer Part Exchange facilities to remove the worries that usually accompany the uncertainties associated with home buying chains. During 2016 10% of our private sale customers took advantage of this opportunity to assist their move.

As a key part of the Group's drive to support the sustainability of communities we delivered 2,218 homes (2015: 2,147) to our housing association partners during the year. This low cost housing delivered by our Westbury Partnerships business represented c. 15% of our sales and helps support social inclusion within the local communities that we serve.

During 2016 we have continued to invest additional resources in new customer focused initiatives to improve our customers' buying experience and our NHBC/HBF 3 star rating. This is yielding further improvement in performance with the majority of the Group's operating businesses showing progress. Prior to customers moving into their new home we have improved our communication processes with them to provide greater understanding of the progress we are making in constructing their new home. We have strengthened our build management processes to facilitate delivery to expected timeframes. Additional support is being provided through reinvigorated processes to demonstrate the features of the new home to customers, assistance with identifying any small remaining issues on moving in day and providing improved systems and processes for our customer care teams to support the prompt rectification of any outstanding matters. Customer care performance is reflected in relevant employees' remuneration to support a closer alignment to the Group's objectives.

Whilst these initiatives are delivering tangible improvements in our customer satisfaction ratings we remain determined to deliver further advancement this year.

Our Environment

As part of our development approach we aim to minimise the impact we have on the environment. Key elements of our processes for assessing and designing our developments have the objective of minimising both our direct and indirect impact on the environment. To support our execution of more efficient development activity we identify all major environmental risks that we face in both the short and long term. Our development processes include appropriate management actions that will mitigate these risks. Addressing these issues at the start of our development plans ensures our environmental performance remains robust and helps the Group secure more sustainable business processes.

The most important indirect environmental impact of our development activities is the ongoing effect of our new homes. Our focus is to build new homes to high sustainability standards harnessing the benefits of good design, and improvements in materials and building techniques to deliver new homes with high sustainable qualities. Our Space4 business manufactures components to support a modern method of housing construction as discussed above. Space4 focuses on a fabric first approach to the construction of new homes with strong sustainability credentials. The off-site manufacture of timber frames together with wall panels and roof cassettes which are highly insulated delivers new homes that are highly thermally efficient and air tight with minimal waste. The new homes built using Space4 technology support the delivery of an average energy efficiency for the Group's new homes as measured by the

93%
of construction waste
recycled

c. 550

trainees and apprentices

Standard Assessment Procedure ('SAP') of 83, which is 40% more energy efficient than existing housing stock which has an average SAP rating of 59. Importantly, Space4 adds to the Group's capability to implement future changes to building regulations that target reductions in carbon emissions and other measures that will combat global warming. As a further extension of our off-site manufacturing capability we are in the process of establishing our own concrete brick manufacturing facility (as mentioned earlier in this report). This facility has been procured on the basis of achieving very low energy usage, concrete brick manufacture uses very little energy when compared to the firing process of manufacturing clay brick. Having the capability to produce around two thirds of the Group's current brick requirements, this plant will make an important contribution to reducing the Group's indirect impact on the environment by reducing energy usage and carbon emissions within our supply chain.

We monitor our operational efficiency and direct environmental impact by measuring the amount of waste that we generate and recycle for each home we build. In 2016 we again increased the amount of waste we recycled to 93% (2015: 92%) thereby minimising the amount of waste sent to landfill despite the amount of waste per home built increasing a little to 6.6 tonnes (2015: 6.3 tonnes).

In 2016 we again collated data captured across the Group and from our suppliers to identify the amount of energy used in construction activities on our development sites. We have then used DEFRA environmental reporting guidelines and emission factors from DEFRA's Greenhouse Gas Conversion Factors Repository as a methodology for calculating our emissions.

Our Scope 1 direct emissions for gas, transport and construction site fuel use in 2016 were 28,047 tonnes CO₂e (2015: 27,647 tonnes CO₂e). Our Scope 2 indirect emissions for electricity in 2016 were 4,552 tonnes CO₂e

(2015: 3,910 tonnes CO₂e). Our total operational carbon footprint in 2016 was 32,599 tonnes CO₂e (2015: 31,557 tonnes CO₂e), an increase of 3.3%. This increase is principally attributable to the growth in number of homes built by the Group and the accompanying level of activity throughout our business year on year. Legal completions of new homes sold by the Group increased by 4% over the prior year. The amount of CO₂e per home sold in 2016 was 2.15 tonnes, a 0.9% decrease on the prior year (2015: 2.17 tonnes CO₂e).

We have continued to review our energy use and have pursued actions aimed at reducing our energy costs and minimising consumption where possible. These measures include an assessment of the cost and benefit of upgrading site machinery, the continued reduction in the CO₂ emissions from our motor fleet, and a reduction in print and copying volumes across the business.

Our People

We believe that having a highly skilled and diverse workforce supported by a merit-based culture is an important part of the Group's growth and success, as well as being fundamental to supporting the wellbeing of our workforce. Our people are key to supporting the Group's successful growth in its operations across the UK. The right skills to buy land, plan our developments, build quality homes and provide good service to our customers are critically important.

Since 2013 the Group has experienced a rapid increase in the number of its employees in line with the acceleration of the Group's growth as the market recovered from the downturn of 2008/2009. To support and control the Group's growth we have continued to invest in the Group's workforce with the total number of our employees increasing to an average of 4,526 (2015: 4,188). Our strengthened selection, engagement,

induction and training processes provide opportunity for all our staff to fulfil their responsibilities to the best of their ability. The opening of five new businesses over recent years has provided the opportunity for a good number of our staff to take on greater responsibilities as they have mastered their skills in key functional areas of the business. We support and mentor our talented staff to help them realise their potential. Persimmon has a long established tradition of promoting from within the business wherever possible. Reward for successfully contributing to the performance of the business over the long term is a priority for the Group and secures the human resource platform that is instrumental in driving the business forward.

Importantly, we have continued to support a large number of trainees and apprentices in our business, the Group currently employs c. 550 trainees. We are pleased with the progress we are making with our 'Combat to Construction' and 'Upskill to Construction' training programmes. These are focused on UK service personnel leaving the armed services and more mature trainees that wish to retrain and gain the trade skills necessary to pursue a successful career with the Group.

We believe that all employees and subcontractors can perform to their full potential with the right support and training. We have again increased our training commitment for both young and mature apprentices and trainees across all disciplines in our business, including planning, technical, construction management and sales. We provided over 10,500 training days to employees and our construction workforce in 2016 (2015: 10,210) an average of 2.3 days per employee (2015: 2.4). We are keen to harness the Government's new Apprenticeship Levy, which is introduced from April 2017, to support our traditional apprenticeship programmes to increase the number of skilled trades people to support the future growth of the Group's business.

The Group is committed to having a full and active role in the Home Building Skills Partnership, a joint initiative between the Construction Industry Training Board and the Home Builders Federation which aims to train over 40,000 new trades people by 2019 to help address the skills shortage that presents such a key challenge to expanding output by the industry. This initiative commenced in April 2016 and the initial working group is pulling together a skills strategy and implementation objectives with publication of this anticipated for Spring 2017.

We believe that a diverse work force supported by a vibrant merit-based working environment is an important part of the Group's success. As at 31 December 2016 we employed 4,483 people, 25% of which were female. We have two female and six male directors on the Company's Board and 19 female colleagues in our 154 strong senior management team.

Further information on our employees and human rights can be found on our website www.corporate.persimmonhomes.com in the corporate responsibility section. We have no material issues to report concerning human rights. Our Modern Slavery Statement can also be found on this website.

Our Wellbeing

The wellbeing, health and safety of our employees, workforce, and customers is the top operational priority for the Group.

The Group ensures that the investment in Group Health and Safety resources devoted to ensuring our development sites and offices remain safe and healthy environments is appropriate. The growth of the Group's development activities and office network has been supported by an increase in Health and Safety department employees to 28 staff under the direction of our Group Health and Safety Director.

The Health and Safety team's structure and considerable experience enables them to help each of our operational management teams to strive to achieve high levels of health and safety performance across all aspects of our operations, especially recognising the significant increase in construction activity on our development sites.

Our approach to health and safety is based on careful planning and management of our construction activities on site. We emphasise a pro-active approach with both collective and individual responsibility for health and safety risk identification and mitigation. All our workforce are required to obtain health and safety certification prior to starting work on site and this certification forms part of their application for a Construction Skills Certification Scheme ('CSCS') card.

We have continued to focus on monitoring the effective implementation of the Group's health and safety policies as well as ensuring detailed incident led investigations are carried out promptly when necessary. Each operating business aims for full compliance with Group policies and procedures with performance above and beyond required standards being reviewed for incorporation into future policy if appropriate. The internal risk management framework and work implemented by the Group Health and Safety department is verified by an external independent advisor on a rotational basis to ensure compliance standards are maintained. Our health and safety colleagues provide additional support to local operating businesses to provide any bespoke training needs and improvement actions required.

During 2016 we reported 47 incidents under the Reporting of Incidents Diseases and Dangerous Occurrences Regulations ('RIDDORs') to the Health and Safety Executive which was level with 2015 despite our increased levels of construction activity. We managed to reduce our Annual Incident Injury Rate marginally to 3.59 accidents per thousand workers (2015: 3.62).

Community Champions
donations of

over £1m

since launch in 2015

Our Communities

We believe that by delivering much needed new housing whilst also creating and improving the local environment in which our communities live and work we help increase the sustainability of those communities into the future. We seek to actively engage the local community in the development process, from consultation and feedback through the planning journey to continued communication of the development's progress as it proceeds. We aim to sell the majority of the new homes we build into the local community to satisfy their housing needs. During 2016 we implemented a consistent approach across the Group to strengthen effective and targeted community consultation which is tailored to the local residents' context.

We have continued to support improved sustainability by bringing derelict and poor quality land back into use on behalf of local communities. The Group used brownfield or previously used land to deliver c. 45% of the new homes we legally completed in the year, often decontaminating polluted land and regenerating old industrial sites.

The Group's developments are designed to promote social inclusion, incorporating housing for families with a broad span of household incomes. In 2016 we delivered £237m of social housing for lower income families (2015: £221m) and invested in £65m of infrastructure on our developments (2015: £47m) to provide the schools, new roads, open space and community facilities to support the social and environmental development of the new communities we create. Of the £65m spent on infrastructure, £17m related to educational amenity provision delivering an additional 420 school places for our local communities.

Our Community Champions initiative run by the Persimmon Charitable Foundation provides funding for the numerous small charities and voluntary organisations at

the heart of the communities we serve. This initiative is now well into its third year and we have been overwhelmed with the response. In 2016 we passed the £1m mark for donations made and have reached £1.1m of donations by the end of the year. Charities apply to the Persimmon Charitable Foundation (via our website www.persimmonhomes.com/charity) for funding support up to a value of £1,000 to match fundraising they have achieved themselves. Each of our operating businesses have the opportunity of supporting two applicants every month. Since we started the campaign, we have supported over 1,200 different organisations in the communities we serve right across the UK.

In addition, the company together with its employees have raised and donated a further £108,000 to good causes.

Current trading outlook

Customer activity in the new build housing market through the early weeks of the new year has been encouraging. We are offering new homes for sale on around 4% more sales outlets than for the same period last year and site visitor numbers are c. 7% stronger over the first eight weeks of 2016. Consumer confidence remains resilient, employment levels are strong and interest rates remain low. The volume of visitors to our Persimmon and Charles Church homefinder websites is in line with the prior year.

We have experienced the usual seasonal pick up in sales reservations week by week. Whilst we are facing challenging comparatives in the first quarter of 2017, reflecting the additional activity stimulated by the tax changes introduced by the Government from early April 2016, we anticipate a more normal seasonal pattern this year.

The strength of the 2016 autumn sales season together with our early spring sales have supported a 9% year on year increase in current forward sales (including legal completions taken in 2017 to date) to £1.89bn (2016: £1.74bn). Our private sales reservation volumes in our forward sales are 6% ahead of last year allowing for our weekly private sales rate per site for the first eight weeks of the year being 4% behind the prior year at this point.

The Government has recently confirmed its support for first time buyers through the Help to Buy scheme in the Housing White Paper and the revamped Starter Homes initiative should assist greater numbers of first time buyers to gain access to the market later this year. With our attractively designed core house types offered at affordable price points and our emphasis on site layouts which provide a full range of products to all customers, particularly for first time buyers and first time movers we are confident that the Group is well positioned in its regional markets for the year ahead. We will focus on increasing production to meet this demand.

We believe that UK market fundamentals remain strong supported by long term unfulfilled demand for housing, despite the uncertainties associated with the UK's vote to leave the EU and the challenges presented by headwinds in the wider global economy. The Bank of England's vigilance in ensuring disciplined lending practices continues. This oversight, together with providing guidance and direction to lenders via the Financial Policy Committee which complements appropriate monetary policy settings and Government fiscal policy measures, will help support the sustainability of the UK housing market. In turn this will create the opportunity for the industry to continue to invest in skills, land and new home construction to deliver the continued expansion in output that will provide access to housing for local communities across the UK.

Our spring sales will be supported by the 90 new sales outlets we plan to open in the first half of 2017, of which we have already opened 51 new outlets so far. Gross margins in our forward order book indicate that, for 2017, margins are set for some modest improvement over 2016 as we open our new sites and we continue to work hard to secure further operational gains.

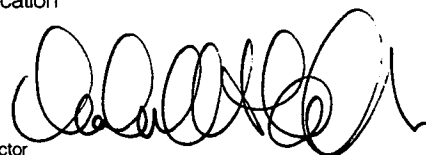
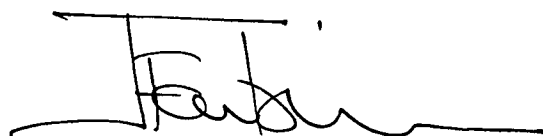
We intend to continue to invest in new land during 2017 to support the further growth of our regional businesses towards optimal sustainable scale. We will remain focused on ensuring our land replacement activity secures attractive returns and payment terms whilst we retain our flexibility to react to changing conditions. We are excited by the prospects of converting more of our strategic land as planning authorities identify their preferred locations to satisfy housing needs as incorporated in their five year plans. We believe our strong balance sheet and excellent free cash generation will support this land replacement activity whilst also providing confidence in the delivery of the Capital Return Plan to our shareholders.

The Group has performed particularly well in 2016 due to the hard work of the entire Persimmon team. We remain confident that this team has the focus, expertise, drive and vision to continue to deliver for our customers and shareholders. We believe the UK new build housing market will provide great opportunities for those companies with the correct strategic aims, operational capabilities and balance sheet strength to navigate future changes in trading conditions as they unfold. We thank all our loyal employees and supply chain partners for their dedication and continued contribution to the Group's success.

Jeff Fairburn **Mike Killoran**
Group Chief Executive Group Finance Director
24 February 2017

£1.89bn

Forward sales at
24 February 2017 up 9%

INTRODUCTION TO CORPORATE GOVERNANCE

Good standards in corporate governance

Image removed

The stewardship and good governance of our Company continues to be a high priority for the Board. We strive to ensure that the Board's strategy and its requirements for excellence and good governance are instilled into the culture of the business.

Our Executive and Non-Executive Directors regularly meet with operational management teams and staff across our 29 operating businesses, ensuring that the Board's standards and values for integrity and honesty are successfully disseminated to all employees. The Board understands the importance of setting the right culture. Each of the 29 businesses has its own management team and staff who manage and take pride in the success of their own operating business, within the strategy set by the Group. In this way we encourage the local businesses to work autonomously but within parameters and controls set by the Board. Our approach creates a culture that motivates and rewards our colleagues for their performance and allows them to share in our success. We promote a supportive culture that enables our employees to develop their talents and skills over long and fulfilling careers.

We regularly host informal Chairman's dinners for each operating businesses' senior management team. The dinners are attended by me, the Chief Executive and other members of the Board. The dinners are

an opportunity for the Board to restate to the senior management teams the importance of good governance, thank them for their hard work and hear their feedback. It is an opportunity for all senior management to meet members of the Board in an informal setting.

Following the regular review by the Nomination Committee of the structure, size and composition of the Board, the Committee considered the Board would be strengthened by the appointment of a new independent Non-Executive Director with executive experience at a listed company in a consumer facing industry. I am pleased to report that following a search conducted by an executive recruitment agency, the Nomination Committee recommended the appointment of Simon Litherland, CEO of Britvic Plc. Simon will be appointed on 3 April 2017. As promised at last years' AGM I have also consulted widely with shareholders on the election of Nigel Mills as a Non-Executive Director and they have confirmed that they are comfortable with his appointment.

It is the Group's policy to promote its Executive Directors from senior management within the Group, wherever possible. Senior management succession planning within the Regional Boards ensures future suitable executive candidates are identified and have experience within the Group before promotion to the Board.

The Nomination Committee will continue to review succession planning and the composition of the Board with regard to the balance of relevant skills, knowledge, experience and independence.

We understand the value a diverse board can bring to the business. Diversity, including gender diversity is always considered, appointments are made on the basis of merit and overall suitability with the aim of having an appropriately diverse range of views.

As part of our approach to maintaining good relations with the Company's shareholders, I am pleased to report that we held our first Corporate Governance dinner earlier this year. We invited Governance representatives from our major shareholders to discuss our approach to Governance. We explained how we set the right culture from the top

with strong Executive Directors who have significant housebuilding experience and Non-Executives with complementary skill sets and diverse and relevant experience. Each of the Committee Chairmen gave updates on the work of their respective committees, and we explained our approach to governance, further information on which is set out in the Governance Report on pages 54-63.

The Board held its annual strategy meeting in October and undertook a full and detailed review of its current strategy which is set out in the Strategic Report on pages 20 and 21. The strategy includes ensuring the Group maintains appropriate levels of resource to successfully execute Group policies in all key areas of the business, in particular with regard to land replacement, build quality and customer care.

The Board has continued its focus on training, in particular supporting new entrants to the industry. One example of this is our Combat to Construction training initiative, which continues to receive widespread support and will provide a good career path for ex-UK Armed Forces personnel and help to address the widespread industry shortage of skilled tradespeople. Overall we have c.550 graduate/trainees and apprentices working in the Group.

Finally, I am pleased to report that the Company has complied with the UK Corporate Governance Code 2014 throughout 2016.

Nicholas Wrigley
Chairman

24 February 2017

OVERVIEW

Key sections within the
governance sectionLEADERSHIP AND
EFFECTIVENESS

Image removed

Our board, structure
and activities

The Board's strategy introduced in 2012 has proved very successful, as shown by the significant overall improvement in the Group's performance.

During 2016 the Board again placed particular focus on:

- staff training;
- health and safety resources;
 - measures to improve customer care; and
- review of the Group's risk register and systems of internal financial control.

Read more about the structure, role and activities of the Board
See pages 52-60.

ACCOUNTABILITY

Image removed

Report from the
Audit Committee

During 2016 the Audit Committee:

- recommended the appointment of and oversaw the transition to a new auditor;
- undertook a detailed review of the principal risks facing the Group;
- assessed the key risks of misstatement of the Group's financial statements relating to the carrying value of both the Group's land and work in progress, including the accuracy of cost recoveries, and available for sale financial assets.

Read about our Audit Committee report
See pages 56-60.

REMUNERATION

Image removed

Oversight of executive
remuneration

During 2016 the Remuneration Committee reviewed the policy for the Executive Directors and the Chairman. A resolution to approve the new policy will be put to shareholders at the AGM to be held in April.

The Group's strong performance has resulted in Executive Directors achieving over 97% of their bonus targets in 2016.

Directors' base salaries and fees have been increased from 1 January 2017 by 3% in line with increases given to salaried staff.

Read our remuneration report
See pages 64-85.

Strategic report

Governance

Financial statements

Other information

BOARD OF DIRECTORS

Image removed

Nicholas Wrigley
Chairman (age 61)

Date of appointment Appointed to the Board on 1 February 2006 and as Chairman of the Board on 21 April 2011.

Committee membership Chairman of the Nomination Committee and member of the Remuneration Committee.

Experience Nicholas Wrigley is an Executive Vice Chairman of Rothschild London. He has over 30 years' mergers and acquisitions experience at Rothschild and is a qualified accountant. He was also Senior Steward of the Jockey Club from 2009 to 2014.

Skills Nicholas' leadership style encourages open and honest debate in the spirit of constructive challenge, which enables effective decision making by the Board in all areas of strategy, responsibility and governance.

Image removed

Jeff Fairburn
Group Chief Executive (age 50)

Date of appointment 1 June 2009

Committee membership Chairman of the Risk Committee.

Experience Jeff Fairburn has been Group Chief Executive since April 2013. He joined the Group in 1989 and became North East Managing Director in 2000. He was promoted to North Division Chief Executive in 2006 and subsequently to Group Managing Director in 2012.

Skills Jeff has 32 years' experience in the construction industry, 28 of which have been in the housebuilding sector. He has an in depth knowledge of Persimmon having started as a quantity surveyor in our Yorkshire business. This, together with his progressive style and strong leadership skills, enables him to effectively direct and manage the delivery of our strategy.

Image removed

Mike Killoran ACA
Group Finance Director (age 55)

Date of appointment 4 January 1999

Committee membership Member of the Risk Committee.

Experience Mike Killoran joined the Company in 1996. A chartered accountant by profession, Mike worked in manufacturing, distribution and retail sectors before joining the Group. He took over his present role in April 1999.

Skills Mike has extensive financial and operational skills and over 20 years' experience and knowledge of both the industry and our business. These skills enable Mike to make a strong contribution to strategy development.

Image Removed

Rachel Kentleton
Non-Executive Director (age 48)

Date of appointment 24 June 2015

Committee membership Chairman of the Audit Committee and member of the Risk and Nomination Committees.

Experience Rachel Kentleton, a qualified accountant, is the Finance Director at PayPoint plc. Prior to joining PayPoint in January 2017 Rachel was Group Director, Strategy & Implementation at EasyJet. She has previously held investor relations and finance roles at Unilever, Natwest, Diageo and SABMiller.

Skills Rachel's strategic, investor relations and financial experience adds to the balance of skills and experience of our Non-Executive Directors and greatly benefits the implementation of the Company's strategy and the development of the business.

Image Removed

Nigel Mills
Non-Executive Director (age 61)

Date of appointment 4 April 2016

Committee membership Member of the Nomination and Remuneration Committees.

Experience Nigel Mills is a Senior Advisor at Citigroup Global Markets and was previously Chairman of Corporate Broking at Citi between 2005-2015 and Chief Executive at Hoare Govett between 1995-2005. He has extensive experience in advising some of the UK's largest companies.

Skills Nigel has sound commercial judgement drawing on a 30 year career advising quoted companies. He has broad experience of financial markets, shareholder attitudes, corporate governance and compliance which enable him to provide sound advice to the Board.

Image Removed

Simon Litherland
Non-Executive Director (age 52)

Date of appointment Simon will be appointed to the Board on 3 April 2017.

Committee membership Simon will become a member of the Audit, Nomination and Remuneration Committees on his appointment.

Experience Simon Litherland is the Chief Executive of Britvic plc. He is a qualified accountant and has over 25 years' experience in finance and leadership roles within the drinks manufacturing and distribution sector. Prior to joining Britvic in 2011 Simon worked for global drinks manufacturer Diageo plc, spending 20 years running several of the company's international business units, ultimately becoming Managing Director of Diageo Great Britain.

Skills Simon is an accomplished Executive with proven finance, leadership and business skills in a consumer facing industry. His strong understanding of branding and customer propositions adds to the skillset of the Board and will prove invaluable to the development and implementation of the Company's strategy.

Image removed

Dave Jenkinson

Group Managing Director (age 49)

Date of appointment 13 December 2013**Committee membership** Member of the Risk Committee.

Experience Dave Jenkinson joined the Group in 1997. He was appointed Managing Director of the North East operating business in 2005 and was promoted to Regional Managing Director in 2007 and to North Division Chief Executive in January 2013. He was promoted to Group Managing Director on 7 January 2016.

Skills Dave has extensive experience of the housebuilding industry. He has an in-depth knowledge of Persimmon, having worked for the Group for almost 20 years. He has particular strengths in land buying and development and is a qualified town planner.

Image removed

Jonathan Davie

Senior Independent Director (age 70)

Date of appointment 1 January 2010

Committee membership Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

Experience Jonathan Davie, a chartered accountant, is Non-Executive Chairman of First Avenue Partners LLP and of technology company Econiq Limited. He is also a Non-Executive Director of investment trusts Hansa Trust Plc and Gabelli Value Plus+ Trust PLC. Jonathan's previous roles include Non-Executive Chairman of IG Group Holdings Plc, Vice Chairman of Credit Suisse, CEO of BZW Global Equities and Non-Executive Director of Credit Suisse UK Private Bank.

Skills Jonathan's experience has given him sound judgement and the ability to constructively challenge the Executive Directors. He has extensive experience of the financial markets and capital raising.

Image removed

Marion Sears

Non-Executive Director (age 54)

Date of appointment 8 January 2013

Committee membership Chairman of the Corporate Responsibility Committee and a member of the Audit, Nomination and Remuneration Committees.

Experience Marion Sears is a Non-Executive Director of Dunelm Group Plc and of investment company WA Capital Limited. She is also a Non-Executive Director of investment trusts Fidelity European Values Plc and Aberdeen New Dawn Investment Trust PLC. Marion previously held executive positions at Glaxo, UBS, Baring Brothers and JP Morgan.

Skills Marion has extensive retail industry knowledge and customer understanding together with an all-round view of the consumer markets. Her banking skills, financial background and current involvement in the investment industry enable her to provide sound advice and judgement on the implementation of the Company's strategy.

Strategic report

Governance

Financial statements

Other information

TOGETHER THE BALANCE
OF SKILLS, EXPERIENCE AND
PERSONAL CHARACTERISTICS
OF THE NON-EXECUTIVE
DIRECTORS RESULT IN
A DIVERSITY OF VIEWS
AND OPINIONS.

Nicholas Wrigley
Chairman

CORPORATE GOVERNANCE STATEMENT AND DIRECTORS' REPORT

Directors' Report incorporating the Corporate Governance Statement for the year ended 31 December 2016

Leadership and effectiveness

Board composition

The Board comprises eight Directors, a Non-Executive Chairman, three Executive Directors and four Non-Executive Directors. The Executive Directors have significant housebuilding experience, having worked for the Group for many years and in differing market conditions and they are supported by a strong Chairman with good leadership skills and by Non-Executives with broad business experience.

Nicholas Wrigley became Chairman in April 2011 and he remains an Executive Vice Chairman of Rothschild London. The Chairman encourages open and honest debate in the spirit of constructive challenge, which results in high quality decision making in all areas of strategy, performance, responsibility and accountability.

Jeff Fairburn has been Chief Executive for four years and has worked for the Group since 1989. Since his appointment as Chief Executive he has demonstrated strong leadership skills which enable him to effectively direct and manage the delivery of the Group's strategy. He has extensive housebuilding experience, having held a number of positions within the business.

Mike Killoran has been the Group's Finance Director for the last 18 years and he has very strong finance and housebuilding operational experience. Dave Jenkinson has extensive housebuilding experience having held senior operational positions within the Group prior to his appointment to the Board.

The Non-Executive Directors have complementary skill sets bringing substantial and diverse experience to the Board. Nicholas Wrigley and Jonathan Davie both have considerable experience of financial markets; Jonathan is the Senior Independent Director. Marion Sears has extensive experience in banking and retail markets, whilst Rachel Kentleton has similarly strong experience in finance and retail markets in her current role as Finance Director at PayPoint Plc and in her previous role as Group Director, Strategy & Implementation at EasyJet.

Together the balance of skills, experience and personal characteristics of the Non-Executive Directors result in a diversity of views and opinions to support and where appropriate, challenge the Executive Directors and to provide sound advice and judgement on the formation and implementation of the Group's strategy. In accordance with the principles of the UK Corporate Governance Code 2014 (the 'Governance Code') there is a clear written division of responsibilities between the Chairman and the Chief Executive, which is approved by the Board.

The Board has a formal schedule of matters reserved for its consideration and decision. The schedule includes the approval of the Group's strategy, major investments, annual and half year results and trading updates, review of performance, dividend

and cash return policy, monitoring risk and ensuring adequate financial controls are available. The schedule is reviewed annually by the Board.

Board changes

We are pleased to report that Simon Litherland will be joining the Board on 3 April 2017 as a Non-Executive Director. Simon is the CEO of Britvic Plc and brings extensive executive experience in consumer facing industries, having previously held senior roles at Diageo, including MD of Diageo Great Britain. Simon will be appointed to the Audit, Nomination and Remuneration Committees on his appointment to the Board. Nigel Mills joined the Board as a Non-Executive Director on 4 April 2016 and became a member of the Remuneration Committee on that date.

We made some changes to the positions held by the Non-Executive Directors on 14 April 2016, following the resignation from the Board of two Non-Executive Directors, Richard Pennycook and Mark Preston, who both resigned due to time commitments. On that date Jonathan Davie became the Senior Independent Director; Rachel Kentleton became Chair of the Audit Committee and Marion Sears was appointed to both the Audit and Nomination Committees.

In addition, Nigel Greenaway retired from the Board on 14 April 2016 after almost 30 years' service with the Group. Following these changes there will be nine Board members, the Chairman, three Executive Directors and five Non-Executive Directors; women will comprise 22% of the Board.

Key actions of the Board

The Board reviewed and approved the Company's current strategy and its commitment to shareholders under the Capital Return Plan at its annual strategy meeting in October 2016. Full details of the current strategy and the Group's progress in achieving the strategy are set out in the Strategic Report on pages 2-49. The implementation of the Board strategy and policies are delegated to Executive Directors and senior management within the Group.

The Board met on six occasions in 2016, including its annual strategy meeting. There was full attendance by all Directors at all Board and Committee meetings during the year.

There was particular focus by the Board during 2016 on maintaining a high quality skilled workforce to support the growth of the business, in particular on the Board's commitment to training, including our Combat to Construction and Upskill to Construction initiatives. We have over 500 graduates, apprentices and trainees in our business. We maintained our focus on

health and safety, the health and wellbeing of our employees, subcontractors and visitors to our sites is of paramount importance and we continue to ensure all of our sites continue to be a safe environment.

The Board has continued to focus on driving improvements in customer care. During 2016 the main focus was on continuing to ensure the quality of our build, particularly with the drive to increase production over the last few years and on improving the customers' buying experience. The focus in 2017 will be on continued improvement of customer care in the first few weeks after purchase has completed.

The Board also undertook a rigorous review of the Principal Risks, the Group Risk Register and the Group's systems of internal financial control. The Board has carefully evaluated the risks faced by the Group, particularly after the UK's referendum result to leave the EU and the potential impact on the market. Further information is set out in our Principal Risks and on page 29 of this report.

Board diversity and independence

The Board recognises that a diverse workforce can bring benefits to the Group and by the same measure the Directors recognise the value diversity, including gender diversity, can bring to the Board. When considering the nomination and appointment of new Directors, the Nomination Committee determines the skills and experience which would be of benefit to the composition of the Board and then evaluates candidates' skills, knowledge and experience to determine which candidate would be most suitable. All nominations by the Committee are made on the basis of merit and overall suitability, taking into consideration the diversity of the Board. During the year the Board reviewed its diversity policy, and confirm it remains appropriate.

The Board considers the Non-Executive Directors Jonathan Davie, Marion Sears, Rachel Kentleton and Nigel Mills to be independent. Simon Litherland, who will be appointed as a Non-Executive Director on 3 April 2017 is also considered to be independent.

Nigel Mills, a Senior Advisor at Citigroup Global Markets, joined the Board on 4 April 2016 and was re-elected at the Company's AGM. In view of concerns regarding his independence which led to a significant vote against his election, the Chairman met with major shareholders and proxy voting advisors after the AGM to explain why the Board considers him to be independent and to receive feedback from shareholders. The Chairman made clear that Citigroup, whilst one of Persimmon's two brokers, are not financial advisors to the Company and have received no remuneration from the Company for more than eight years, and received share dealing commission only in the two years before that. Nigel had not worked on the Company's business over the three years prior to his appointment last year, itself preceded by Citigroup's decision to put in place strict procedures which further ensure his independence.

Accordingly the Board reiterates its belief in Nigel's independence, which importantly has been clearly demonstrated in debate in both Board and Remuneration Committee meetings since his appointment.

The Company has procedures in place to ensure that Directors disclose any situation in which they may have an interest, direct or indirect, which conflicts or may possibly conflict with the interests of the Company. No authority to authorise a conflict of interest has been required during 2016.

Re-election of Directors

In accordance with the Governance Code all of the Directors will stand for re-election at the forthcoming AGM. The Board's reasons for supporting the re-election of the Chairman Nicholas Wrigley and Non-Executive Directors Jonathan Davie, Marion Sears, Rachel Kentleton and Nigel Mills are that they have individually produced excellent performance in their duties and have shown a high level of independence and commitment to their roles. They further support the election of Simon Litherland by shareholders for the first time. The Board considers that Simon will make an excellent addition to the Board and that his executive experience in consumer facing industries will add to the experience of the Board and complement the current skills of the Directors.

Performance evaluation and professional development

The Board and Committees evaluate their performance annually.

During 2016 the Board and its Committees undertook internal evaluations based on the principles outlined in the Governance Code and with evaluation criteria linked to the Group's strategy, performance and governance. This is an opportunity for each Board and Committee member to give their frank views on what we do well and where we can improve. Some small changes were suggested and improvements will be made where appropriate in line with corporate governance best practice.

In addition to the Board and Committee evaluations, the Chairman undertakes annual verbal performance evaluations of the Executive Directors' performance and an evaluation of the Non-Executive Directors. The Non-Executive Directors undertake a verbal annual performance evaluation of the Chairman, taking into account the views of the Executive Directors.

The Chairman has discussed with all Directors their requirements for professional development and training and where appropriate this has been provided to Directors. All Directors have access to the advice and services of the Company Secretary and may also seek independent professional advice and training at the Company's expense, if so required to carry out their duties.

Nomination Committee

The members of the Nomination Committee are Nicholas Wrigley (Chairman), Jonathan Davie, Marion Sears, Rachel Kentleton and Nigel Mills. Marion Sears replaced Richard Pennycook when he resigned on 14 April 2016 and Rachel Kentleton and Nigel Mills were appointed on 8 December 2016. The Committee met twice during 2016 to review the composition of the Board, to consider the diversity policy and to consider both Board and senior management succession planning. All members were in attendance at each meeting.

Following their review of the composition of the Board, the Nomination Committee considered that the balance of skills would be enhanced by the appointment of a Non-Executive Director with executive experience at a listed company in a consumer facing industry and with extensive financial experience. The criteria and requirements for an appointment were agreed by the Committee and an executive search firm, the Zygos Partnership (a member of the Association of Recruitment Consultants) was appointed to prepare a list of candidates for consideration. Zygos has no other connection with the Company. An extensive search was undertaken and the Committee reviewed the list of potential candidates. A shortlist was agreed and each of the shortlisted candidates was interviewed. The Committee subsequently recommended the appointment of Simon Litherland to the Board and they appointed him with effect from 3 April 2017.

Nigel Mills was appointed during the year and has received a comprehensive induction about the Company which included extensive meetings and briefings from Executive Directors, the Group Company Secretary and Head Office functional directors, principally on strategy and finance, but including legal issues, information technology and health and safety. He has also attended a number of sites and met divisional and regional management teams. A similar process will be carried out for Simon Litherland on his appointment.

The Nomination Committee reviewed the composition of the Executive team in light of Nigel Greenaway's retirement in April 2016. They recommended that Dave Jenkinson should be promoted to Group Managing Director in January 2016, with responsibility for Group businesses and reporting directly to the Group Chief Executive. The Committee also reviewed long term succession planning for the Group's Regional Boards and internal management promotions during the year.

Remuneration Committee

The Remuneration Committee is responsible for establishing and updating the remuneration policy of the Chairman and Executive Directors. The members of the Remuneration Committee are Jonathan Davie (Chairman), Nicholas Wrigley, Marion Sears and Nigel Mills.

The Committee met four times during 2016 to discuss, consider and approve the revised Remuneration Policy, which is being put to shareholders for their approval at the forthcoming AGM. All members attended the meetings.

They also agreed the base salaries for Executive Directors, the performance conditions for the annual bonus plan and the fee and benefits for the Chairman, all in accordance with the current remuneration policy which was approved by Shareholders at the AGM in April 2014.

Further details of the proposed new remuneration policy and the remuneration paid to each Director serving during 2016, together with the proposed implementation of the policy in 2017 are set out in the Remuneration Report on pages 64-85.

Audit Committee

Composition

The Audit Committee members are Rachel Kentleton (Chairman), Jonathan Davie and Marion Sears. Rachel Kentleton is Chairman of the Committee; she is a qualified accountant and has recent relevant financial experience as Finance Director of PayPoint Plc and former Group Director, Strategy & Implementation at EasyJet. Jonathan Davie and Marion Sears also both have recent relevant financial experience; Jonathan is a chartered accountant and Marion has extensive banking and financial experience and is a member of the Audit Committee at Fidelity European Values Plc and Aberdeen New Dawn Investment Trust PLC and was a member of Dunelm plc's Audit Committee until September 2015. The Board has determined that the current composition of the Audit Committee as a whole has competence relevant to the sector in which the Company operates. Rachel Kentleton has experience in consumer facing, operational businesses with significant long term capital investment cycles, Marion Sears has retail experience and Jonathan Davie has extensive financial markets and investment expertise.

Richard Pennycook was the Chairman of the Audit Committee until 14 April 2016, when he retired as a Non-Executive Director of the Company due to time commitments on his appointment as Chairman of Howden Joinery Group Plc. Marion Sears joined the Committee on 14 April 2016, replacing Mark Preston who also resigned as a Non-Executive Director, again due to time commitments following his promotion at the Grosvenor Estate.

The Committee met on five occasions during 2016 and all members were in attendance at each meeting. The Committee regularly meets the external auditor without the presence of the Company's management. The Committee's Chairman also meets the Group Risk Manager without the Company's management being present at least twice each year.

Audit Committee Key roles and 2016 Activities

Audit Committee Key Role	2016 Activities and Priorities
Effective Governance of Group Financial reporting	Review of Half Year and Annual Report
Adequacy of Related Disclosures	Review of Half Year and Annual Report Review of Group's Viability Statement
Management of Internal controls and risk management systems	Assessment of Significant financial issues Review of Group's Principal Risks and Risk Register
External Audit	Overview of transition of auditor and review of external audit
Performance of the Group Risk Management Function	Continued Monitoring of the Group Risk Function
Compliance, whistleblowing and fraud	Review of the Group's current tax status Continued monitoring of risks and the Group's whistleblowing procedures

Role

The Audit Committee's key roles are to ensure the effective governance of the Group's financial reporting, the adequacy of related disclosures, the performance of the Group risk management function and the management of the Group's systems of internal control, business risks and related compliance activities. The Committee also reviews and monitors the performance and independence of the Group's external auditor, the provision of additional services to the Group by the auditor and oversees the Group's relationship with them.

Committee meetings generally take place prior to but on the same day as Board meetings and the Committee Chairman provides the Board with a report on the activity of the Committee and the matters of particular relevance to the Board in the conduct of their work.

2016 Priorities and Main Activities

The Audit Committee's 2016 priorities and main activities are set out below.

1 Transition and Review of External Audit

The Audit Committee oversaw the transition of the external audit from KPMG LLP to Ernst & Young LLP. The Audit Committee ensured that the audit transition plan accurately reflected their requirements and that the transition was carried out in a timely manner according to the agreed plan. The Committee has also assessed the effectiveness of the external audit, both of Ernst & Young's audit in preparation for the 2016 results and of KPMG's audit in relation to the prior year.

2 Assessment of Significant Financial Issues

The Audit Committee is required to review and assess the significant financial issues facing the Group and the determination of the key risks of misstatement of the Group's financial statements. During the year, the Audit Committee

reviewed the financial issues, and considered that the issues of greatest materiality were:

- revenue recognition;
- the carrying value of the Group's land and work in progress including the accuracy of cost recoveries; and
- the carrying value of the Group's available for sale financial assets including shared equity receivables.

Further information on these matters is set out below.

3 Review of the Group's Principal Risks and Risk Register

The Audit Committee has conducted regular reviews of the Group's Principal Risks and Risk Register, to ensure that as the political and economic environment changes, they are updated accordingly. This enables the Audit Committee to ensure that major risks facing the Group are scrutinised and that the appropriate controls are in place. In particular, the Audit Committee reviewed:

- the potential impact of economic uncertainty following the UK's referendum vote to leave the EU;
- the continued implementation of procedures and increased resources designed to improve customer care;
- the recruitment and training of staff, given the Group's continued increase in staffing; and
- cyber risk.

The other key actions of the Committee during the year were:

- full review of liquidity risk and whether the Group can continue to adopt the going concern basis in preparing the accounts;
- review of the Group's Viability Statement;
- review of Half Year and Final Results; and
- review of the Group's current tax status.

Strategic report

Governance

Financial statements

Other information

Revenue recognition

The Committee monitors the effectiveness of the internal controls exercised over the key processes employed by the Group to ensure the accuracy of revenue recognition. Revenue for the year was £3,136.8m.

Carrying value of land and work in progress including the accuracy of cost recoveries

The Committee monitors the effectiveness of the internal controls exercised over the key processes employed by the Group in the acquisition of new land and the investment in site development activities. The Committee receives regular reporting on management's adherence to the Group's policies and procedures in both of these critically important areas of the business. The carrying value of the Group's land totalled £1,946.4m at 31 December 2016, and the carrying value of work in progress on site totalled £617.2m.

Similarly, the Committee ensures the approach adopted by management in recovering the cost of both land and work in progress remains in line with established Group policies and procedures through regular risk monitoring reports. The Committee has again reviewed management's assessment of the net realisable value of the Group's land and work in progress held at 31 December 2016. The Committee concluded that the approach adopted by management supported the asset carrying values.

Carrying value of shared equity receivables

The Committee monitors the effectiveness of internal controls exercised over the key processes that are employed by the Group in managing the second charge loans remaining due to the Group under shared equity contracts entered into with some of its customers. These are held as receivables and reported as 'available for sale financial assets' on the Group's balance sheet.

At 31 December 2016 the carrying value of these receivables was £148.7m. The Committee has reviewed the assumptions adopted by management in support of the carrying value of these receivables and concluded they are appropriate. The Committee monitors the ongoing performance of these receivables with respect to redemptions and delinquency and are satisfied that management have adopted appropriate assumptions in this regard in support of the carrying value of these assets.

The Committee considers that the Group management's application of its accounting policies has resulted in a carrying value which appropriately reflects the inherent risks of recoverability of these shared equity receivables.

External audit

As previously reported, the Board agreed that it would re-tender the Group audit during 2015 and subsequently recommended to shareholders that Ernst & Young LLP be appointed as auditor. Shareholders approved the appointment of Ernst & Young at the Annual General Meeting and they became the Company's auditor on 14 April 2016. Upon appointment Ernst & Young produced a detailed transition plan, which has been successfully completed in the year.

Ernst and Young also prepared a detailed audit plan identifying their assessment of the key risks for audit consideration in 2016. The significant risks identified were revenue recognition, the carrying value of the Group's land and work in progress including the accuracy of cost recoveries and the carrying value of the Group's shared equity receivables.

Other areas of audit focus included testing of key controls, an assessment of the adequacy of closed site provisions held, valuation of the Group's defined benefit pension scheme obligations, valuation of goodwill and intangible assets, accuracy of current tax accrual and deferred tax balances. In addition, there was a review to confirm that the Group should properly be considered as a going concern and a review of the Viability Statement.

The Audit Committee assesses the effectiveness of the external audit process annually with the auditor and the Company's management. The Committee regularly holds private meetings with the external auditor without management present. Matters discussed include the auditor's assessment of business risks and management activity thereon, the transparency and openness of interactions with management and confirmation that there has been no restriction in scope placed on them by management.

The Committee ensures that the auditor has exercised due professional scepticism. The Committee has reviewed and is satisfied with the performance of Ernst & Young LLP. A resolution to re-appoint Ernst & Young LLP as auditor of the Company will be made at the Company's AGM to be held on 27 April 2017. The Company has complied with the provisions of the Statutory Audit Services Order 2014.

The Audit Committee formulates and oversees the Company's policy on monitoring external auditor objectivity and independence in relation to non-audit services. The auditor is excluded from undertaking a range of work on behalf of the Group to ensure that the nature of non-audit services performed or fee income earned relative to the audit fees do not compromise and are not seen to compromise the auditor's independence, objectivity or integrity. The auditor is therefore not allowed to carry out appraisal or valuation services, management functions and litigation support, actuarial services, legal or remuneration services on behalf of the Group. From time to time non-audit services are put out to tender to a number of suitable firms.

Details of the audit fee paid to Ernst & Young LLP are on page 104. There were no non-audit fees paid to Ernst & Young in 2016.

At the request of the Board, the Audit Committee considered whether the 2016 Annual Report taken as a whole was fair, balanced and understandable and whether it provided the necessary information for Shareholders to assess the Company's position, performance, business model and strategy. The Audit Committee is satisfied that, taken as a whole, the Annual Report is fair, balanced and understandable.

Internal control and risk management

Effective risk management is critical to the achievement of our objectives and the long term sustainable growth of our business. The Board has overall responsibility for the Company's system of internal control and for the review of its effectiveness. It is the role of management to implement the Board's policies on risk control through the design and operation of appropriate internal control systems. All employees have some responsibility for internal control as part of their responsibility for achieving objectives.

The Risk Committee oversees the Board's processes with regard to risk and ensures the Board's policies on risk control are implemented through the design and operation of appropriate internal control systems and procedures. Specifically, this includes determining appropriate control procedures and the review of the effectiveness of internal control.

The members of the Risk Committee during 2016 were Jeff Fairburn (Chairman), Rachel Kentleton, Mike Killoran, Nigel Greenaway and Dave Jenkinson. Nigel Greenaway retired from the Committee following the AGM on 14 April 2016. The Risk Committee is supported by the Group Risk Manager and Group Risk function. The Risk Committee reports to the Audit Committee, which oversees the Risk Committee's activities.

The Audit Committee reviews the internal control and risk management systems in relation to the financial reporting process and in relation to the process of preparing consolidated accounts. The Company has complied with the Governance Code provisions on internal control, having continued to operate procedures consistent with the Guidance on Risk Management Reporting, Internal Control and Related Financial and Business Reporting issued by the FRC in September 2014 throughout the year.

Senior management from the Finance Department monitor the Group's financial management and reporting systems and continually assess the integrity and effectiveness of the Group's accounting procedures. Senior management from the Finance and Company Secretarial Departments review financial reports and trading updates with appropriate consultation with the Group's external advisors, ensuring that such reports and statements are accurate, complete and comply with all relevant legislation and regulations. Each operating business and Group function is required to report to the Group to ensure that all financial reporting is accurate and that all matters which may be material to the Group as a whole have been reported to the Board. Senior management reports its findings to the Audit Committee and through that Committee to the Board.

The Group Risk Department has facilitated an update to the Group risk register during the year to reflect changes to the profile of risks facing the Group. The results of this process have been reported to the Risk Committee and have been used to drive a risk focused programme of work designed to improve business processes and increase internal control effectiveness to mitigate risk. The updated Group risk register has been approved by both Risk and Audit Committees and by the Board. The principal risks faced by the Group set out on page 29 have been reviewed to ensure that they reflect the changes in the Group's risk profile. Overall the risks faced by the Group have remained the same as the prior year, with the addition of a specific risk on the uncertainties following the UK's vote to leave the European Union.

The Risk Committee met six times during 2016, ensuring there has been an ongoing robust process for the identification, evaluation and management of the significant risks that are faced by the Group. The key features of reviewing the effectiveness of the system of internal control include the following:

- review of reports produced by the Group Risk Department on internal control and management of risk;
- reviewing the reports from the Corporate Responsibility Committee with particular reference to reputational, environmental, sustainability and social risks facing the Group;
- review of representations on risk and control from all Managing Directors of operating businesses following individual reviews of internal control within their operating businesses;
- review of representations on risk and control from both Group and divisional management;
- assessment of the security around IT infrastructure and customer information; and
- monitoring of whistleblowing reports or other significant control issues or incidents reported.

Following review by the Risk Committee, where minor weaknesses in internal controls were identified, action has been taken to improve and strengthen procedures as part of the regular debriefing of senior management by the Group Risk Department on conclusion of their work.

Members of the Risk Committee completed the following tasks, which are essential parts of the Group's risk control framework:

- maintaining continuous detailed involvement in monitoring and controlling work in progress and controls over land acquisition assessment;
- regular site visits and discussions with site based personnel;
- ongoing review of Group performance in comparison to operational forecasts and financial budgets; and
- involvement in each operating business' board discussions, particularly operational board meetings where all aspects of operation and performance were analysed.

Corporate governance statement and Directors' Report continued

On completion of these processes the Risk Committee formally considered the annual review of the effectiveness of the Group's system of internal control. This review covers all material controls including financial, operational and compliance controls, as well as the Group's risk management system. There were no material matters identified from the review. The review for 2016 has been completed and approved by the Risk and Audit Committees and by the Board. A detailed Group Risk Department programme of work for 2017 has also been approved by the Risk and Audit Committees.

The Company's system of internal control is designed to manage rather than eliminate risk, in order to achieve business objectives. However, the system can only provide reasonable assurances and does not provide absolute assurance against material misstatement or loss.

Terms of reference

Terms of reference for the Board Committees are available on the Company's website www.corporate.persimmonhomes.com or from the Company Secretary at the Company's registered office.

Shareholder relations

The Board is committed to establishing and maintaining good relations with the Company's Shareholders as they provide good perspectives on corporate governance matters and strategy.

Jeff Fairburn and Mike Killoran have responsibility for maintaining appropriate communications with institutional investors and analysts, advised by the Group's broker Merrill Lynch, together with the financial PR consultants, Citigate Dewe Rogerson. They hold scheduled meetings with major Shareholders regularly. Jonathan Davie has responsibility for consulting with Shareholders and institutions on matters relating to remuneration policy. He consulted with major shareholders and proxy voting advisors earlier this year on the proposed new Remuneration Policy.

The Chairman and Senior Independent Director are available for consultation with major Shareholders. During the summer of 2016 the Chairman met with major shareholders to discuss the governance of the Company and in particular the independence of Nigel Mills who was appointed as a Non-Executive Director on 4 April 2016.

The Company monitors the constituents of its share register to ensure that its investor relations communications are appropriately coordinated with its shareholder base. The Board is provided with reports produced by equity analysts and the results of consultations are reported to the Board as a whole. In addition, the Executive Directors report on feedback received following their presentations to or meetings with Shareholders and analysts. All Directors attend the Company's Annual General Meeting and are available to answer questions at the meeting or privately.

The Company issues regular trading statements to the London Stock Exchange, as well as the publication of annual and half yearly financial results. The Company provides Shareholders with access to detailed presentations of results at its analyst presentations. A live webcast of the event is available to the market, a recording of which can be viewed on the Company's website.

Significant shareholdings

As at 31 December 2016 and as at 24 February 2017, the Company had been notified under the Financial Conduct Authority's Disclosure Guidance and Transparency Rule 5 of the following interests in the voting rights of the Company:

Name	As at 31 December 2016		As at 24 February 2017		Nature of holding
	Number of voting rights ¹	% of total voting rights	Number of voting rights ¹	% of total voting rights	
BlackRock Inc	16,718,253	5.43	16,718,253	5.43	Indirect
					Direct and
AXA S.A.	14,923,488	4.97	14,923,488	4.97	indirect

¹ Represents the number of voting rights last notified to the Company by the respective shareholder in accordance with D.T.R.5.1.

The UK Corporate Governance Code 2014

This Corporate Governance Statement, together with the Directors' Remuneration Report on pages 64-85, provides a description of how the main principles of the Governance Code have been applied within the Company during 2016.

The Company complied with the Governance Code throughout 2016 and continues to review its governance procedures to maintain proper control and accountability. The Governance Code is available from the Financial Reporting Council, telephone 0207 492 2300 or online at www.frc.org.uk.

Directors' Report other disclosures

Persimmon Plc (the 'Company') is the holding company of the Persimmon Group of companies (the 'Group') and is a public company listed in the UK and traded on the London Stock Exchange.

The Group's main trading companies are Persimmon Homes Limited and Charles Church Developments Limited. The Group trades under the brand names of Persimmon Homes, Charles Church, Westbury Partnerships and Space4.

The subsidiary undertakings which principally affect the profits and assets of the Group are listed in note 31 to the Financial Statements. A complete list of the Company's subsidiaries and residents management companies under its control are contained on pages 130-139.

Strategic Report

The management report for the purposes of the Disclosure Guidance and Transparency Rule 4.1.8.R is included in the Strategic Report on pages 2-49. A description of the Group's future prospects, research and development, the principal risks and uncertainties facing the business are contained within the Strategic Report. Details of the financial risk management objectives and policies of the Group and associated risk exposure are given in note 21 of the Financial Statements.

Results and return of cash

The Group's revenue for 2016 was £3,136.8m and its consolidated profit before taxation was £774.8m.

The Company may by ordinary resolution declare dividends not exceeding the amount recommended by Directors subject to statute. The Directors may pay interim dividends and any fixed rate dividend whenever the financial position of the Company, in the opinion of the Directors, justifies its payment.

All dividend and interest shall be paid (subject to any lien of the Company) to those members whose names are on the register of members on the record date, notwithstanding any subsequent transfer or transmission of shares.

As set out in the Chairman's Statement an interim dividend of 25 pence per ordinary share will be paid on 31 March 2017 to shareholders on the register at 6.00 pm on 10 March 2017 under the Company's Capital Return Plan. In addition, a further interim dividend of 110 pence per ordinary share will be paid on 3 July 2017 to shareholders on the register at 6.00 pm on 16 June 2017 (2016: return of cash of 110 pence per share).

Going concern

After completing a full review, the Directors have satisfied themselves that the going concern basis for the preparation of the accounts continues to be appropriate and there are no material uncertainties to the Company's ability to do so over a period of 12 months.

Further details are provided in note 2 to the Financial Statements.

Directors and Directors' interests

The current Directors of the Company and their biographical details are shown on pages 52 and 53. Simon Litherland, whose details are also set out on those pages, will be appointed on 3 April 2017. Details of the Executive Directors' service contracts are given in the Remuneration Report on page 72. All of the Directors served for the whole of the year, with the exception of Nigel Mills who was appointed to the Board on 4 April 2016. In addition, Nigel Greenaway, Richard Pennycook and Mark Preston were Directors of the Company until Nigel retired and Richard and Mark resigned from the Board, all on 14 April 2016.

The beneficial and non-beneficial interests of the Directors and their connected persons in the shares of the Company at 31 December 2016 and as at the date of this report are disclosed in the Remuneration Report on page 81. Details of the interests of the Executive Directors in share options and awards of shares can be found on page 80 within the same report.

Appointment and replacement of Directors

The Directors shall be no less than two and no more than 15 in number. Directors may be appointed by the Company by ordinary resolution or by the Board of Directors. A Director appointed by the Board of Directors holds office until the next following AGM and is then eligible for election by the shareholders. The Company may by special resolution remove any Director before the expiration of their term of office.

In accordance with the Governance Code the Board has determined that all Directors will be subject to annual re-election by Shareholders. The Company's Articles of Association (Articles) in any event provide that at each AGM at least one third of the Directors shall retire from office and shall be eligible for reappointment and therefore each Director shall retire from office and shall be eligible for reappointment at the AGM held in the third year following their last re-appointment. In accordance with the Articles and the Governance Code, a Non-Executive Director who has been in office for more than nine years consecutively shall retire at each AGM and shall be eligible for reappointment.

Powers of the Directors

The business of the Company shall be managed by the Directors who may exercise all powers of the Company, subject to the Articles, the Companies Act 2006 and any directions given in general meetings. In particular, the Directors may exercise all the powers of the Company to borrow money, issue and buy back shares with the authority of Shareholders, appoint and remove Directors and recommend and declare dividends.

Capital structure

The following description summarises certain provisions of the Articles (adopted by special resolution passed on 19 March 2015) and the Companies Act 2006. This is only a summary and the relevant provisions of the Companies Act 2006 and Articles should be consulted if further information is required. A copy of the Articles may be obtained by writing to the Company Secretary at the registered office.

Amendments to the Articles of the Company may be made by way of special resolution in accordance with the provisions of the Companies Act 2006.

Share capital

The Company has one class of share in issue, being ordinary shares with a nominal value of 10 pence each, which carry no right to fixed income. During 2016 1,799,604 ordinary shares were issued with a nominal value of £179,960.40 to employees exercising share options for cash consideration of £1,281,588.35. At 24 February 2017 the issued share capital of the Company was 308,578,359 ordinary shares with a nominal value of £30,857,835.90. Further details are provided in note 23 to the Financial Statements.

Shares may be issued with such preferred, deferred or other rights or restrictions, whether in regard to dividend, return of capital, or voting or otherwise, as the Company may from time to time by ordinary resolution determine (or failing such determination as the Directors may decide), subject to the provisions of the Companies Act 2006 and other shareholders' rights. There are no securities carrying special rights with regard to control of the Company.

The Directors may allot, grant options over, or otherwise dispose of shares in the Company to such persons (including the Directors themselves) at such times and on such terms as the Directors may think proper, subject to the Articles, the Companies Act 2006 and shareholders' rights. At the AGM on 14 April 2016 Shareholders gave Directors authority to allot ordinary shares up to a maximum nominal amount of £10,254,317, representing approximately one third of the Company's issued share capital as at 7 March 2016 and also in connection with a pre-emptive offer by way of a rights issue to ordinary shareholders up to a maximum nominal amount of £20,508,634, representing approximately two thirds of the issued share capital of the Company as at 7 March 2016. Shareholders also gave Directors authority to disapply pre-emption rights on the issues of shares up to 10% of the issued share capital, being an aggregate nominal amount of £3,076,295. These authorities will expire at the conclusion of the AGM on 27 April 2017. Resolutions to renew these authorities will be put to Shareholders at the forthcoming AGM.

Votes of members

All issued shares in the Company are fully paid and there are no restrictions on voting rights. Votes may be exercised in person, by proxy, or in relation to corporate members by a corporate representative. The deadline for delivering either written or electronic proxy forms is not less than 48 hours before the time for holding the meeting. To attend and vote at a meeting a shareholder must be entered on the register of members at a time that is not more than 48 hours before the time of the meeting, calculated using business days only.

On a vote on a show of hands, each member being an individual present in person or a duly authorised representative of a corporation has one vote. Each proxy present in person who has been appointed by one member entitled to vote on a resolution has one vote. If a proxy has been appointed by more than one member and has been given the same voting instructions by those members, the proxy has one vote. If the proxy has been appointed

by more than one member and has been given conflicting instructions, or instructions to vote for or against one member and discretion by another, the proxy has one vote for and one vote against a resolution. On a vote on a poll, each member present in person or by proxy or by duly authorised representative has one vote for each share held by the member.

Details of employee share schemes are set out in note 29 of the Financial Statements. The Trustee of the Persimmon Employment Benefit Trust may vote or abstain on Shareholder resolutions as it sees fit.

Transfer of shares

There are no restrictions on the transfer of securities in the Company. Any member may transfer their shares in writing in any usual or common form or in any other form acceptable to the Directors and permitted by the Companies Act 2006 and the UK Listing Authority. The Company is not aware of any agreements between Shareholders that may result in restrictions on the transfer of shares or that may result in restrictions on voting rights.

Qualifying third party indemnity provisions and qualifying pension scheme indemnity provisions

The Company has not issued any qualifying third party indemnity provision or any qualifying pension scheme indemnity provision.

Change of control provisions

One significant agreement contains provisions entitling counterparties to exercise termination or other rights in the event of a change of control of the Company. Under the £300m credit facility for Persimmon Plc dated 1 April 2011 (as amended) disclosed in note 21 of the Financial Statements, all amounts become due and payable under the terms of the facility if any person or group of persons acting in concert gains control of the Company.

'Control' has the same meaning as section 450 of the Corporation Tax Act 2010 and 'acting in concert' has the meaning given to it in the City Code on Takeovers and Mergers. Change of control is deemed to occur if at any time any person, or group of persons acting in concert, acquires control of the Company.

The Company does not have agreements with any employee, including Directors, that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share schemes may cause options and awards granted to employees under such schemes to vest on a takeover.

Emissions

The Company's greenhouse gas emissions are set out in the Strategic Report on page 46.

Employee involvement

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various financial and economic factors affecting the performance of the Group. The Group regularly updates its employment policies and all employees have been issued with a staff handbook to keep them up to date with information relating to their employment. Each of the Group's operating businesses maintains employee relations and consults employees as appropriate. Internal Group magazines are published quarterly and distributed to all employees to ensure they are kept well informed of the Group's operations. In addition, information concerning the financial performance of the Group is sent to each operating business for circulation.

The Company makes various benefit schemes available to employees, including a savings-related share option scheme which encourages the awareness and involvement of employees in the Group's performance. All permanent employees are encouraged to participate.

Equal opportunities

The Group policy is to have equal opportunities for training, career development and promotion for all employees without discrimination and to apply fair and equitable policies which seek to promote entry into and progression within the Group. Appointments are determined solely by application of job criteria, personal ability and competency regardless of race, colour, nationality, ethnic origin, religion or belief, gender, sexual orientation, political beliefs, marital or civil partnership status, age, pregnancy or maternity or disability. Applications for employment by disabled persons are always fully considered, with appropriate regard to the aptitude and abilities of the person concerned. In the event of any employee becoming disabled, every effort is made to ensure that their employment with the Group continues, that appropriate training is arranged and any reasonable adjustments are made to their working environment. It is the Group's policy that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees. The Group has achieved accreditation for its approach to equality and diversity.

Acquisition of own shares

At the AGM held on 14 April 2016 Shareholders granted the Company authority to purchase up to an aggregate of 30,762,952 of its own shares. No shares have been purchased to date under this authority and therefore at 31 December 2016 the authority remained outstanding. This authority expires on 27 April 2017 and a resolution to renew the authority will be put to Shareholders at the forthcoming AGM.

At 31 December 2016 the Company held no shares in treasury.

Annual General Meeting

The AGM will commence at 12 noon on Thursday 27 April 2017 at York Racecourse, Knavesmire Road, York YO23 1EX. The Notice of Meeting and an explanation of the ordinary and special business are given in the AGM circular, which is available on the Company's website and which has been sent to shareholders.

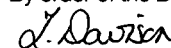
Disclosure of information to auditors

The Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and that each Director has taken all steps he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Directors' responsibility

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. The Directors consider that the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy. The Board reached this conclusion after receiving advice from the Audit Committee. Further details are provided on page 59.

By order of the Board



Tracy Davison
Company Secretary

24 February 2017

Persimmon Plc
Company registration number 1818486

REMUNERATION COMMITTEE CHAIRMAN'S STATEMENT

The Group delivered a strong performance again in 2016

Image removed

I am pleased to introduce the Remuneration Report for 2016, which includes this statement, the future Directors' Remuneration Policy which is intended to take effect from 27 April 2017 and the Annual Report on Remuneration for the year ended 31 December 2016. Our previous policy was adopted in 2014. We are required to obtain shareholders' approval of the policy every three years. We will be asking shareholders to approve the updated Directors' Remuneration Policy, together with a resolution on the Annual Report on Remuneration at our forthcoming Annual General Meeting. In addition we are seeking approval for the adoption of a new long term incentive plan, the 2017 Performance Share Plan ('2017 PSP').

During the year, the Remuneration Committee (the 'Committee') reviewed the policy for the Executive Directors and the Chairman. The Board as a whole reviewed the policy for the Non-Executive Directors. When reviewing the proposed new policy, the Remuneration Committee consulted with the Company's major shareholders and leading proxy voting service providers. The Committee also undertook its regular annual review of the Executive Directors'

base salaries, finalised the performance conditions and targets for annual bonuses for 2016 and undertook the annual review of the Chairman's fees and benefits.

Remuneration Policy for 2017 onwards

The Committee considers that the Company's current remuneration framework continues to support the delivery of our business strategy and the creation of high levels of sustainable shareholder value over the long term. As an integral part of our long term strategy we introduced a Capital Return Plan which committed to return surplus capital to our shareholders through the cycle. Our current long term incentive plan (the '2012 LTIP') is aligned with the Capital Return Plan. The 2012 LTIP will vest in full once the Company has returned £6.20 of surplus capital to shareholders. We anticipate that part of the awards will start to become exercisable under the terms of the plan on 31 December 2017. No further awards will be made under the 2012 LTIP to any employees or Executive Directors. However, the Committee consider it to be important that we continue to have an appropriate retention and incentive plan available, and there are circumstances when we will need to offer long term incentives to assist on the recruitment of new managers or incentivise current managers.

We are therefore proposing to adopt a new plan – the 2017 PSP – which will be submitted to shareholders for approval at the 2017 AGM. Our existing Executive Directors will be precluded from participating in the 2017 PSP under the 2017 policy until their awards under the 2012 LTIP have fully vested. After this point i.e. when the £6.20 has been returned in full, it is intended that the Executive Directors would participate in the 2017 PSP. The Committee will consult with major shareholders at that time on quantum, performance metrics and targets.

Summary changes included in the 2017 Remuneration Policy

In terms of the 2017 policy being recommended to shareholders, the summary changes which we are proposing to the current policy are as follows:

- As no more awards will be granted to Executive Directors under the 2012 LTIP, it is not included in our forward looking Directors' Remuneration Policy. The Executive Directors' existing entitlements under the 2012 LTIP will continue in accordance with their terms.
- We have included the new long term incentive plan in the policy (the 2017 PSP referenced above) which would apply to new Executive Directors (if any) appointed after the date the policy is adopted, and to existing Executive Directors once their 2012 LTIP awards have vested in full. The PSP will:
 - Consist of a more conventional structure than the current 2012 LTIP, with rolling annual awards measured over a three year performance period;
 - Include a two year holding period for any Executive Directors participating in the plan – the Committee intends that the holding period will be applied in the same way to senior management below board who participate in the 2017 PSP, but will retain discretion to grant awards below board without a holding period in appropriate circumstances.
- Have an annual usual quantum of up to 200% of base salary (which may be increased to up to 300% of salary in exceptional circumstances) although the actual award will be considered at the time of recruitment and/or once the existing Executive Directors are eligible to participate;
- The performance measure and targets will be aligned with the long term strategic aims of the business. For the initial awards under the 2017 PSP, the intention is to align the performance targets with the

Capital Return Plan. This is aligned with our strategy and provides consistency with the participants in the current 2012 LTIP.

- Further details of the 2017 PSP are provided in the Notice of AGM which includes summary provisions of the plan rules.
- In line with best practice, we have reduced the maximum contribution which may be made in respect of pension (either as a contribution into a pension or as cash in lieu) for new externally appointed Executive Directors to be in line with the maximum payable to the salaried workforce.

2016 remuneration outcomes

The Group delivered another strong performance in 2016 and the business continues to grow and meet its strategic objectives.

The Committee set the Executive Directors' 2016 annual bonus targets primarily on stretching metrics linked to the Group's strategic objectives and the outlook for the Group over the medium term. The bonus performance condition was made up of two financial metrics, up to 50% of bonus was based on profit before tax targets and up to 40% was based on cash generation targets. In addition there were two non-financial metrics being customer care, for up to 10% of bonus and health and safety performance, which could act as a downward modifier of up to 10% of any bonus earned.

The financial metrics are closely linked to the Company's strategic aims of growing the business at an optimal scale and creating superior sustainable shareholder value over the long term through the housing cycle, see pages 20 and 21. The non-financial metrics are linked to customer care and health and safety, two of the Group's non-financial key performance indicators, see page 22, and are closely linked to the Group's focus on building high quality homes to meet customer demand whilst ensuring our priority for the health and safety of our workforce and visitors.

Full details of the performance conditions are set out on pages 75 and 76.

The Company's excellent performance in 2016 has resulted in Executive Directors' annual bonus payments for 2016 at 97% of the maximum potential. Profit before tax increased by 23%* in 2016 and free cash generation before capital returns by 4.7%. In addition, the Group performed well on its internal customer care measures. Bonuses will be paid in cash up to the value of base salary with the remainder deferred for up to two years and paid in Bonus Share Scheme awards.

2017 remuneration

The focus of the remuneration policy for the Executive Directors continues to have a significant proportion of remuneration performance related and linked closely to the Company's strategy.

The Committee has agreed that annual salaries for Executive Directors will increase by 3% in line with those received by the Group's salaried employees. The fees for the Non-Executive Directors have been increased by approximately 3%. The Chairman's fee has been increased by 3%.

Performance conditions for the 2017 annual bonus will again be primarily linked to profit and cash generation targets, which will account for 90% of the bonus opportunity. 10% of the annual bonus will depend on customer care performance and the Committee will also have the discretion to reduce the total bonus by up to 10% if health and safety performance is not maintained at a high level. These are important factors in ensuring overall business performance, sustainability and reputation. The Committee would welcome your support for the remuneration resolutions to be tabled at the forthcoming AGM.

Jonathan Davie
Chairman Remuneration Committee
24 February 2017

£782.8m*

Profit before tax in 2016

+23%*

Increase in profit before tax in 2016

£1,142.9m

Free cash generation before Capital Return Plan and net land payments

£1,071m

Capital Return Plan Payments to December 2016

* Stated before goodwill impairment of £8.0m.

DIRECTORS' FUTURE REMUNERATION POLICY

The Remuneration Policy for Executive Directors and Non-Executive Directors, which Shareholders will be asked to approve at the AGM to be held on 27 April 2017 and which will apply to payments made from this date is set out below. Until this time the Policy approved by Shareholders on 16 April 2014 will continue to apply.

Our current Remuneration Policy was approved by our shareholders in April 2014 with over 90% of the votes in favour. The changes proposed to the policy reflect the expiration, for the purposes of new awards, of the 2012 LTIP and the associated need to ensure that the policy is appropriate for the next three years. In summary the changes made to the proposed policy as compared to the policy approved at the 2014 AGM are as follows:

- A key element of our remuneration framework is the 2012 Long Term Incentive Plan (the '2012 LTIP'), which was approved by shareholders in 2012. As no more awards will be granted to Executive Directors under the 2012 LTIP, it is not included in our forward looking Directors' Remuneration Policy. The Executive Directors' existing entitlements under the 2012 LTIP (set out on page 80) will continue in accordance with their terms.
- As set out in the Chairman's Statement we have included a new plan – the 2017 Performance Share Plan ('2017 PSP'), which would apply to new Executive Directors appointed (if any) after the date the policy is adopted, and to existing Executive Directors once their 2012 LTIP awards have vested in full.
- Minor amendments have been made to the policy to aid its administration.

A summary of the Company's policy on Directors' remuneration, broken down by Executive Directors, Chairman and Non-Executive Directors is set out in the tables below.

Executive Directors

The Committee's policy for the Executive Directors is to provide remuneration which is largely performance orientated, closely aligns the Directors' interests with those of shareholders and which will retain a talented executive team who can deliver excellent long term Company performance.

To achieve the aim of this policy the remuneration of the Executive Directors is made up of different elements of fixed and variable pay, with a significant emphasis on performance related pay for achievement of stretching targets. If challenging performance conditions attached to variable pay are achieved in full, a substantial proportion of an Executive Director's remuneration will be performance related. Overall, the Committee's policy is to ensure that the balance of performance conditions provides a good link to the Company's business strategy and continues to make the Company successful on a sustainable basis.

Remuneration policy for Executive Directors

Base salary

Purpose

Market competitive salaries commensurate with a Director's experience are paid to attract and retain Executive Directors with the skills necessary to lead the business and successfully implement the Company's strategy.

How it operates

Usually reviewed annually with any increases normally taking effect from 1 January.

When reviewing salaries, consideration is given to current business and market conditions; any increases awarded to staff in the business generally and any change in a Director's role and experience.

Where an Executive Director is to be promoted or where their role is to be expanded or changed, the Committee will review the salary payable and decide whether an increase/decrease is appropriate, in order that base salaries remain appropriate.

Maximum payable

The Committee does not consider it appropriate to set maximum salary levels. Any future increases will generally be in line with increases applied to Group monthly paid employees (in percentage terms).

Increases may be made either above or below that received by the wider workforce in appropriate circumstances, which may include but are not limited to, promotions, where the Committee has purposefully set a lower starting salary for a newly appointed Director, or if a Director's salary is no longer market competitive or to reflect development and performance in role or a change in the size or complexity of the role.

Current salary levels are set out in the Annual Report on Remuneration.

Performance framework

Although performance conditions do not apply, the individual's performance and the scope of the role are taken into account in determining the level of any salary increase.

Annual bonus

Purpose

Annual bonuses are performance related. The aim is to set stretching targets which will incentivise the Executive Directors to achieve excellent performance in line with the Company's strategic objectives.

How it operates

Any annual bonuses earned are paid in cash up to 100% of base salary.

To further link the Executive Director's pay to the interests of shareholders, any bonus earned in excess of 100% of base salary is made through awards under the Company's Bonus Share Scheme (subject to a de minimis limit of £5,000).

The Committee may adjust the bonus pay-out up or down should the formulaic outcome be considered not to reflect underlying business performance.

Vesting of Bonus Share Scheme awards is not subject to further performance conditions, other than the Director must remain employed at the date of exercise subject to the standard good leaver or change of control provisions. Bonus Share Scheme awards vest and become exercisable in two equal tranches, on the announcement of the Company's final results for the two years immediately following the bonus year.

A dividend equivalent is payable on Bonus Share Scheme awards that vest based on dividends and returns of cash to shareholders with payment dates occurring between the date of grant and the date of vesting. Dividend equivalents may be paid in cash or shares and their value shall be calculated as determined by the Committee, which may assume the reinvestment of dividends into shares.

A clawback arrangement allows for the Company to recover (for up to two years following the determination of the bonus) annual bonuses made as a result of an error or misstatement, or if a Director is guilty of gross misconduct which substantially affects the Company's financial performance or reputation.

Maximum payable

The maximum annual bonus potential is 200% of base salary for the Group Chief Executive and 150% of base salary for other Executive Directors. Maximum bonus is only payable if stretching targets are met and excellent Company performance is achieved.

Performance framework

Annual bonus performance conditions are set annually by the Committee to ensure that they take into consideration the Company's strategy and the outlook for the Company over the medium term and are appropriate from a risk perspective.

Financial metrics such as profit, and cash generation will have the majority weighting. Non-financial metrics such as customer care and health and safety, where applied, will have a minority weighting.

Financial metrics:

The minimum payment at threshold performance is up to 10%, up to 67% of the maximum potential will vest for on-target performance and all of the bonus will vest for maximum performance.

Non-financial strategic or individual metrics:

Vesting of the non-financial strategic or individual metrics will apply on a scale between 0% and 100% of that element based on the Committee's assessment of the extent to which a non-financial performance metric has been met.

Directors' future remuneration policy continued

Pension/Salary supplement

Purpose	How it operates	Maximum payable	Performance framework
Market competitive pension/salary supplements are offered to attract and retain Directors with the skills necessary to lead the business and successfully implement the Company's strategy.	Base salary is the only component of remuneration which is pensionable. The Company operates a defined benefit (DB) pension scheme, which is closed to new members and a defined contribution (DC) scheme. Accrual in the DB scheme is based on a career average revalued earnings (CARE) basis for all active members and normal retirement age for Directors is 60 or 65, dependent on date of appointment to the Board. If a Director opts out of future pension accrual, a salary supplement is payable.	Pension accrual in the DB scheme is on a CARE basis at one-sixtieth of Pensionable Salary per year. The Company will match a Director's contributions into the DC scheme up to a maximum of 9% of base salary. The Committee retains the discretion to amend the contribution level should market conditions change. The maximum salary supplement in lieu of pension is between 9% and 30% of base salary, dependent upon the level of pension benefits given up. Any Executive Director appointed externally after the date of the Policy will be awarded a pension or cash contribution in line with the maximum payable to the salaried workforce.	None

Benefits

Purpose	How it operates	Maximum payable	Performance framework
Market competitive benefits are offered to attract and retain Directors with the skills necessary to lead the business and successfully implement the Company's strategy.	The benefits include: fully financed cars or cash car allowance, group medical scheme membership, life assurance, income protection scheme membership, professional subscriptions and some telephone costs. The Committee does not currently expect to change the benefits offered to Executive Directors but retains the discretion to add to the benefits available in appropriate circumstances, which may include providing relocation benefits where appropriate.	The Committee has not set a maximum for benefits. Benefit costs will remain a small component of total remuneration.	None

HMRC qualifying all-employee scheme

Purpose	How it operates	Maximum payable	Performance framework
HMRC qualifying all-employee share schemes are to encourage employees to take a stake in the business, which aligns their interest with that of shareholders.	Executive Directors are eligible to participate in all-employee schemes on the same basis as other qualifying employees.	Maximum is subject to limits in the applicable tax legislation.	None

The Persimmon 2017 PSP

Purpose

To provide a link between the remuneration of Executive Directors and the creation of shareholder value by rewarding Executive Directors for the achievement of longer term objectives aligned to shareholder interests.

Executive Directors appointed before the 2017 AGM will only be granted awards under the 2017 PSP when their awards under the 2012 LTIP have vested.

How it operates

Under the 2017 PSP, the Committee may grant awards as conditional shares, nil-cost options or in such other form as the Committee determines has a substantially similar economic effect or as cash settled equivalents (and share awards may be settled in cash).

Awards vest subject to the satisfaction of performance conditions assessed over a period of not less than three years.

Awards are granted subject to a holding period of two years following the end of the performance period, with the awards usually only released to the Executive Director (so that the Executive Director can acquire the shares subject to the award) following the end of the holding period.

An additional payment in the form of cash or shares may be made to reflect the value of dividends which would have been paid on vested shares over such period as the Committee determines, ending no later than the date on which the award is released.

Awards are subject to malus and clawback provisions which enable the Committee to cancel or reduce an unvested award or require repayment of a vested award for up to two years following the end of the performance period (which is effected through the cancellation or reduction of the award if it remains subject to a holding period). These provisions may be applied in the event of material misstatement of financial results, gross misconduct which substantially affects the Company's financial performance or reputation and error in the assessment of an award's performance condition.

The Committee retains discretion to operate the 2017 PSP in accordance with its rules, including the ability to adjust the terms of any award to take account of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may affect the Company's share price.

Maximum payable

The usual maximum award level in respect of any financial year of the Company is 200% of base salary. However, in exceptional circumstances (such as on recruitment of an Executive Director), awards may be granted in respect of any financial year of the Company at the level of up to 300% of base salary.

Performance framework

Performance conditions applying to awards under the 2017 PSP will be based on financial measures aligned to the Company's long term strategic aims.

Awards will vest as to 25% for threshold performance, increasing to 100% for maximum performance.

Share ownership guidelines

Purpose

To align the interests of the Executive Directors with those of shareholders.

How it operates

Executive Directors are required to retain shares under all of the Company's share schemes until the guideline is met, other than sales required to settle tax liabilities.

Minimum holding

200% of base salary.

Performance framework

None

Strategic report

Governance

Financial statements

Other information

Directors' future remuneration policy continued

2012 LTIP

The Committee considers that it is appropriate for a significant component of an Executive Director's remuneration to be share-based with long term performance conditions closely linked to the Company's long term strategy. To align the interests of the Executive Directors with the Company's long term financial performance and with the interests of shareholders the Company's long term incentive arrangement for the Executive Directors is the 2012 LTIP. Options granted under the 2012 LTIP have a performance condition directly linked to the return of £1.9bn (£6.20 per share) to shareholders over the Capital Return Plan period and a vesting period over the same timescale. The initial exercise price will reduce by the value of cash returns to shareholders during the period from date of grant to the earlier of 31 December 2021 or the date of exercise of an option. There is an underpin requirement in the 2012 LTIP that the cash returns paid by the Company are financed out of retained earnings and the Company has an ungeared balance sheet at the relevant performance measurement date.

Subject to performance, up to 40% of options may be exercisable at 31 December 2017. The balance of options may be exercisable on the earlier of 31 December 2021 and the date the performance condition is achieved in full.

After sales to meet tax, no more than 50% of shares received upon exercise of an option may be sold within 12 months of the date of exercise. The Committee may waive this condition for good leavers and in exceptional circumstances.

A clawback arrangement under the Company's long term incentive plans allows the Company to recover share awards which have vested as a result of an error or misstatement, or if a Director is guilty of gross misconduct which substantially affects the Company's financial performance or reputation.

No further options will be granted under the 2012 LTIP to Executive Directors. However, the existing options will continue and, subject to the satisfaction of the performance conditions, may be exercised in accordance with their terms. The options held by the Executive Directors are set out on page 80.

Choice of performance conditions

Annual bonus conditions	Rationale for selection and how performance targets are set
Profit before tax and cash generation	Aligned with the Company's strategy to deliver high quality growth and return cash to shareholders. These are important factors in ensuring overall business performance, sustainability and reputation.
Customer satisfaction and health and safety	Annual bonus performance conditions are reviewed annually by the Committee to ensure that they take into consideration the Company's strategy and the outlook for the Company over the medium term and are appropriate from a risk perspective. The Committee retains the right to adjust or set different performance measures if events occur (such as a change in strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions), which cause the Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

2017 PSP

The Committee's approach

Awards under the 2017 PSP will only be granted to: (1) Executive Directors appointed after the 2017 Annual General Meeting; and (2) Executive Directors appointed before the 2017 AGM when their awards under the 2012 LTIP have vested. Since it is not, therefore, currently proposed to grant awards to Executive Directors under the 2017 PSP, the details of any measures have not been considered. The Committee would consult with shareholders as appropriate in relation to the applicable performance measures in advance of any award under the 2017 PSP being granted to an Executive Director.

For initial awards to senior managers under the 2017 PSP, the intention is to align the performance targets with the Capital Return Plan. This is aligned with our strategy and provides consistency with the participants in the current 2012 LTIP.

The Committee retains the right to adjust or set different performance measures if events occur (such as a change in strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions), which cause the Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

Differences between the Executive Directors' and general employees' remuneration policy

Performance related pay makes up a significantly higher proportion of remuneration for the Executive Directors and senior employees than for employees generally, reflecting the role of these individuals in managing the business to achieve the Company's strategic objectives. The Committee considers that the emphasis on performance related pay for Executive Directors and senior employees closely aligns the Directors' interests with those of shareholders and helps to deliver excellent long term Company performance.

Chairman

Fees

Purpose	How it operates	Maximum payable	Performance framework
Market competitive fees are paid to attract a Chairman with the skills necessary to lead the Board and ensure it is effective in setting the right strategy for the business and for its successful implementation.	The Chairman's fees are set by the Committee. The Chairman's initial fee was set at a market competitive level, commensurate with the size and complexity of our business. Fees are reviewed annually with any increases normally taking effect from 1 January. When reviewing the Chairman's fees, consideration is given to current market conditions, the size of the business and any increases awarded to staff in the business generally. Benefits may be provided in connection with the undertaking by the Chairman of his duties.	The Chairman's fees will be increased in line with increases applied to Group monthly paid employees (in percentage terms), although fee increases may be awarded above this level in appropriate circumstances including (but not limited to): where there has been a change in market practice; where there has been a change in the size or complexity of the business; where there has been an increase in the time commitment required for the role. The Chairman does not receive bonus, pension or salary supplement payments or share scheme awards but may receive other benefits such as provision of secretarial support, travel expenses and a fully financed car or cash car allowance as appropriate.	N/A

Non-Executive Directors

Fees

Purpose	How it operates	Maximum payable	Performance framework
Market competitive fees are paid to attract Non-Executive Directors with a broad range of skills and experience to complement the Board. Non-Executive Directors with diverse skills and experience will assist the Board when setting the Company's strategy and overseeing its successful implementation.	Fees are determined by the Board as a whole. They are set at market competitive levels, commensurate with their duties and responsibilities for a company of our size and complexity. Fees are reviewed annually with any increases normally taking effect from 1 January. When reviewing the Non-Executive Directors fees consideration is given to current market conditions, the size of the business and any increases awarded to staff in the business generally. Benefits may be provided in connection with the undertaking by a Non-Executive Director of his duties.	The Non-Executive Directors' fees will be increased in line with increases applied to Group monthly paid employees (in percentage terms), although fee increases may be awarded above this level in appropriate circumstances including (but not limited to): where there has been a change in market practice; where there has been a change in the size or complexity of the business; where there has been an increase in the time commitment required for the role. Additional fees are payable to Non-Executive Directors for extra responsibilities, such as chairing a Board committee. Non-Executive Directors do not receive bonus, pension or salary supplement payments or share scheme awards. They may be entitled to benefits, such as the use of secretarial support or the reimbursement of travel expenses as appropriate.	N/A

Directors' future remuneration policy
continued

Recruitment and promotion policy

The Company's policy is to promote internally where possible. The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates with the appropriate skills for the housebuilding industry. The Committee retains discretion to include other elements of remuneration which are not included in the policy set out above should business needs require. However, this discretion is subject to the following principles and limitations, and the commercial rationale for taking such action will be disclosed in the following Annual Report on Remuneration.

- The salary for a new Executive Director may be set below the normal market rate, with phased increases over the first few years as the Director gains experience in their new role.
- Pension/salary supplement benefits will be provided in line with the policy set out above.
- The variable remuneration that may be awarded will be subject to the limit set out below.
- The discretion will not be used to make non-performance related incentive payments (for example a 'golden hello').

The Committee may alter the performance measures and vesting period of annual bonus awards to take account of the circumstances of the recruitment and if the Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus award for that year as there would not be sufficient time to assess performance, the quantum in respect of the months employed during that year may be transferred to the subsequent year so that reward is provided on a fair and proportionate basis.

The Committee may offer additional cash and/or share-based elements at recruitment when it considers these to be in the best interests of the Company (and therefore shareholders) to take account of remuneration relinquished when leaving the former employer and would take account of the nature, time horizons and performance requirements attaching to that remuneration. For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its terms.

The maximum level of variable remuneration which may be granted to a new Executive Director on appointment (excluding any award to take account of remuneration relinquished when leaving the former employer) will be 450% of salary and, for a new Chief Executive, 500% of salary.

As described in the policy tables above, it may also be necessary to offer relocation benefits for external and internal appointments.

The remuneration package for a newly appointed Non-Executive Director would be in line with the structure set out in the policy table for Non-Executive Directors.

Service contracts

The Company's policy is for service contracts with Executive Directors to have no more than a 12-month notice period. The Committee reserves the discretion to offer a longer notice period initially to an Executive Director recruited externally. In such cases where a longer notice period is given, the Executive Director's notice period would be reduced to 12 months once the initial period has lapsed. The Executive Directors have a contract with a twelve month notice period.

The Chairman and the Non-Executive Directors are not employees, they have letters of appointment which set out their duties and responsibilities; they do not have service contracts.

The Chairman's letter of appointment is dated 7 March 2011 but is effective from his appointment as Chairman on 21 April 2011. The Chairman's continued appointment is subject to his re-election by shareholders at each AGM and may be terminated on six months' notice. The Non-Executive Directors' letters of appointment are effective from their date of appointment. A Non-Executive's appointment is initially for a three-year term but is subject to re-election at each AGM but their appointment may be terminated on one month's notice.

There are no change of control provisions in the Executive Directors' service contracts. The rules of the Company's share schemes provide for early exercise of awards on a takeover or change of control.

Policy on payment for loss of office

The Company retains the right to terminate each Executive Director's service agreement by making a payment in lieu of some or all of the notice period. Save as noted below in relation to Mike Killoran, any such payment would consist of base salary and benefits (including pension or salary supplement contributions) in respect of the unexpired notice period for termination. Such payments will be subject to mitigation by the Director.

Save as noted below in relation to Mike Killoran, any payment to an Executive Director on termination in respect of annual bonus will be determined by the Committee taking into account the circumstances of the termination. Any payment will be pro-rated to reflect the proportion of the bonus year worked and subject to performance achieved. Payments will ordinarily only be made at the usual time (although the Committee retains discretion to make payments early in appropriate circumstances). The Committee retains discretion to pay the whole of the bonus for the year of departure and/or the previous year in cash.

Under his service agreement entered into in 2002, if Mike Killoran leaves as a 'Good Leaver' (as defined in the agreement), his termination payment will include any payment for bonus to which he would have been entitled had he remained in employment to the end of the notice period (subject to the satisfaction of the performance condition). In other circumstances, Mr Killoran will be entitled to payment in respect of any bonus awarded but not paid and to a pro-rated bonus for the year of departure (subject to satisfaction of the performance condition).

Options under the 2012 LTIP, Bonus Share Scheme awards and SAYE options are not contractual entitlements and Directors' awards will lapse under the rules of those schemes on termination of employment (save in standard good leaver circumstances). In good leaver circumstances 2012 LTIP Awards would continue to be subject to the original performance conditions but the number of shares under award would be scaled back pro-rata to reflect the proportion of the performance period actually served. The Committee has the discretion to reduce any scaling back if it considers it inappropriate in a particular case. Bonus Share Scheme awards and SAYE options would be exercisable within six months of an Executive Director leaving the Company under the standard good leaver circumstances.

If an Executive Director participates in the 2017 PSP and ceases employment, the rules of the 2017 PSP will govern the treatment of his award. In the event of cessation during the performance period, an award will ordinarily lapse. However, in 'good leaver' circumstances (including cessation due to death, ill-health, injury, disability or any other reason at the discretion of the Committee) awards may be retained. Retained awards will ordinarily vest and be released on the originally anticipated timescale subject to the satisfaction of the performance conditions and a reduction to reflect the proportion of the performance period that has elapsed (although the Committee has discretion to vest and release the awards earlier, and to assess the performance conditions accordingly, and not to apply the time based reduction). In the event of cessation during the holding period, the award may be retained (other than in the case of summary dismissal) and will be released at the ordinary release date to the extent the performance condition was met (although the Committee has discretion to release the awards earlier).

The Committee reserves the right to make any other payments in connection with an Executive Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his cessation of office or employment.

Legacy arrangements

The Committee retains discretion to make any remuneration payment or payment for loss of office (including exercising any discretion available to it in respect of any such payment) outside the policy in this report:

- where the terms of the payment were agreed before the policy came into effect (including the satisfaction of options granted under the 2012 LTIP), provided in the case of any payment whose terms were agreed after the previous Directors' Remuneration Policy was approved at the Company's 2014 AGM and before the policy in this report became effective, the remuneration payment or payment for loss of office was permitted under that former policy; and
- where the terms of the payment were agreed at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Company.

For these purposes, "payment" includes the satisfaction of awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed no later than the time the award is granted.

External appointments

None of the Executive Directors currently have an external appointment. The Directors recognise that external appointments can broaden an individual's skills and experience. If an Executive Director wishes to take up an external appointment, he must first seek approval from the Chairman.

Directors' future remuneration policy
continued

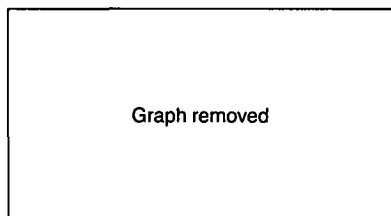
Illustrations of application of remuneration policy

The charts below illustrate the value of remuneration each of the Executive Directors could receive for 2017 under three scenarios being the minimum remuneration they will receive; the remuneration in line with expected performance, and the maximum achievable.

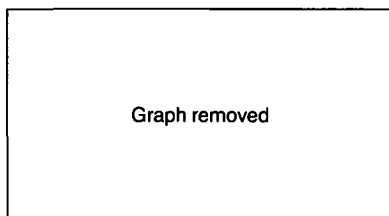
Fixed pay is base salary for 2017, plus benefits and pension/salary supplements. Annual variable pay is the annual bonus receivable. Expected performance would deliver 67% of the maximum annual bonus.

The Committee will not make long term incentive plan awards to the existing Executive Directors in 2017 and so no allowance has been made for long term variable remuneration in the illustrations below. Awards have previously been made to Executive Directors under the 2012 LTIP but these have a performance condition linked to the return to shareholders of £6.20 per share over the period from 2012, with the first opportunity for exercise (up to a maximum of 40% of the vested shares) on 31 December 2017.

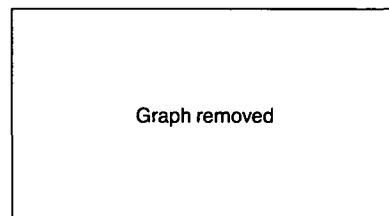
Jeff Fairburn



Mike Killoran



Dave Jenkinson



Statement of consideration of shareholder views

The Committee consults with major shareholders and their representative bodies on remuneration matters, particularly if any material changes are proposed to the remuneration policy. When reviewing the proposed new policy, the Remuneration Committee consulted with the Company's major shareholders and leading proxy voting service providers.

Statement of consideration of employment conditions elsewhere in the Group

The Committee considers the pay and employment conditions of Group employees generally and takes these into account when determining the remuneration of the Executive Directors.

ANNUAL REPORT ON REMUNERATION

The Remuneration Committee's Annual Report on Remuneration for the year ended 31 December 2016 is set out below, including remuneration for 2016 and the proposed implementation of the updated Remuneration Policy for 2017.

The auditor is required to report on the following information up to and including the Statement of Directors' shareholding requirements and share interests.

Single total figure of remuneration for the year ended 31 December 2016

	Salaries and fees 2016 £	Salaries and fees 2015 £	Benefits 2016 £	Benefits 2015 £	Annual bonus 2016 £	Annual bonus 2015 £	Value of LTIP awards vesting 2016 £	Value of LTIP awards vesting 2015 £	Value of pension benefits earned/ salary supple- ment 2016 £	Value of pension benefits earned/ salary supple- ment 2015 £	2016 Total £	2015 Total £
Chairman												
N H T Wrigley	207,650	201,600	2,928	-	-	-	-	-	-	-	210,578	201,600
Executive												
J Fairburn*	647,747	623,216	38,879	37,583	1,276,036	1,238,778	-	-	161,030	95,636	2,123,692	1,995,213
D Jenkinson*	494,107	326,216	31,943	31,262	729,886	495,560	-	-	128,430	68,906	1,384,366	921,944
M H Killoran	496,870	482,400	44,405	45,177	725,317	704,147	-	-	149,061	144,720	1,415,653	1,376,444
N P Greenaway*	100,873	339,500	13,764	41,303	40,000	495,560	11,942,512	-	9,079	30,555	12,106,228	906,918
Non-Executive												
J Davie	67,900	66,200	-	-	-	-	-	-	-	-	67,900	66,200
M Sears	67,900	66,200	-	-	-	-	-	-	-	-	67,900	66,200
R Kentleton	65,014	29,181	-	-	-	-	-	-	-	-	65,014	29,181
N Mills*	42,895	-	-	-	-	-	-	-	-	-	42,895	-
R J Pennycook*	19,587	66,200	-	-	-	-	-	-	-	-	19,587	66,200
M Preston*	16,695	56,200	-	-	-	-	-	-	-	-	16,695	56,200
Totals	2,227,238	2,256,913	131,919	155,325	2,771,239	2,934,045	11,942,512	-	447,600	339,817	17,520,508	5,686,100

^ There is a salary sacrifice arrangement in place for the Company's defined benefit pension scheme. As a result the actual salary paid to an Executive Director while accruing service in this scheme was reduced by 9% of pensionable salary, which would have been the member rate of contribution to the scheme. Jeff Fairburn accrued benefits in the defined benefit pension scheme until 31 March 2016 when his membership of the scheme ceased. Dave Jenkinson remains a member of the scheme.

Nigel Greenaway retired from the Board on 14 April 2016 and from the Group on 30 April 2016. Figures above are the amounts earned to 14 April 2016. Information in relation to payments made to Mr Greenaway following his retirement from the Board is included on page 79.

* 2016 figures are from 4 April 2016, the date when Nigel Mills was appointed to the Board.

* 2016 figures are to 14 April 2016, the date when Richard Pennycook and Mark Preston retired from the Board. Mark Preston's fees were paid in full to his employing company, Grosvenor Estate Holdings.

During the year no Director waived their entitlement to any emoluments.

Additional information on the amounts which make up the single figure for total remuneration is set out below.

Benefits

Benefits include fully financed cars or cash car allowance, private medical scheme membership, life assurance benefits, income protection scheme membership, professional subscriptions and some telephone costs.

Annual bonus 2016

The performance condition for Executive Directors' 2016 annual bonus (excluding Nigel Greenaway's bonus, details of which are set out later in this section) was made up of two financial metrics, being profit and cash generation measures (up to 50% and 40% of maximum bonus potential, respectively), and also included two non-financial metrics, being a customer care measure (up to 10% of maximum bonus), but subject to a potential downward modifier based on customer care performance and a health and safety measure (which could act as a downward modifier of up to 10% of bonus).

The profit performance condition for 2016 annual bonuses was the achievement of Group profit before tax (before exceptionals and goodwill impairment) for the year (the 'profit measure'). The cash generation performance condition was the Group net cash inflow before Capital Return Plan and net land payments for the year (the 'cash generation measure').

The customer care condition was split into three equal measures. One third of the measure was to achieve a minimum percentage of customers who would recommend Persimmon, as measured by the results of the NHBC's Customer Satisfaction Survey question, 'Would you recommend Persimmon to a friend?' This survey is an independent measure of customer satisfaction for houses legally completed from October 2015 to September 2016, measured from survey responses published up to 10 February 2017. The second

Annual report on remuneration
continued

measure was based on achievement of 'Group Customer Journey Performance' documents issued on time, as measured through the Persimmon Group reporting process. The final measure was meeting legal completion of house sales within 30 days of target, as set out by the Persimmon Group reporting process. However, if the Group was rated as a two star builder with a score of less than 70% as measured by the NHBC Customer Satisfaction Survey as at 31 January 2017, then there would be no customer care bonus element payable, even if some of the other targets were met.

The health and safety performance condition could reduce the total annual bonus payments (if any) to the Executive Directors by up to 10% if in the view of the Committee, the health and safety management and/or performance of the Group is below the standard expected of a reputable market-leading housebuilder. The Committee reviewed the Group's health and safety performance and agreed not to reduce the Executive Directors' annual bonuses for 2016.

The target figures set for each part of the performance condition, and the extent to which they were achieved are set out below. There is straight line vesting between the relevant target figures. The maximum bonus payable is 200% of base salary for the Group Chief Executive and 150% of base salary for the other Executive Directors.

2016 Annual bonus condition	Target range for 2016 annual bonus			Actual achieved	Actual percentage of maximum bonus payable
	Threshold	Target	Maximum		
Profit measure	£683m	£713m	£733m	£782.8m	50.00%
Percentage of maximum potential bonus payable	3.33%	33.33%	50.00%		
Cash generation measure	£1,000m	£1,030m	£1,050m	£1,142.9m	40%
Percentage of maximum potential bonus payable	3.33%	26.66%	40.00%		
Customer care measure – NHBC Customer Satisfaction Survey – percentage that would recommend Persimmon	73.5%	80%	85%	74.60%	0.66%
Percentage of maximum potential bonus payable	0.34%	2.22%	3.34%		
Customer care measure – Group Customer Journey Performance – percentage of documents issued on time	90%	93%	96%	96.15%	3.33%
Percentage of maximum potential bonus payable	0.33%	2.22%	3.33%		
Customer care measure – Achieve Legal Completion within 30 days of target	75%	80%	85%	95.60%	3.33%
Percentage of maximum potential bonus payable	0.33%	2.22%	3.33%		
Customer care modifier – If the Group is rated by the NHBC as a 2* star builder	No bonus payable for customer care measures			3*	n/a
Health and safety modifier – If our safety record is not at the standard expected	Bonus could be reduced by up to 10%			Standards met	n/a
Total bonus payable					97.32%

As Nigel Greenaway retired from the Group on 30 April 2016, he did not participate in the 2016 Executive Directors' annual bonus arrangements. Instead he was eligible for a discretionary maximum bonus of £40,000, subject to his satisfactory personal performance. The Remuneration Committee has agreed that Nigel's performance was satisfactory and the full bonus will be paid.

Bonus equal to 100% of salary is payable in cash, any balance is deferred and paid in bonus share scheme awards, as set out below.

Executive Director	Value of total bonus payable £	Amount paid in cash		Amount deferred and paid in bonus share scheme awards		Bonus shares awarded
		Value £	Percentage of overall bonus	Value £	Percentage of overall bonus	
J Fairburn	1,276,036	655,600	51.4%	620,436	48.6%	31,884
D Jenkinson	729,886	500,000	68.5%	229,886	31.5%	11,814
M H Killoran	725,317	496,870	68.5%	228,447	31.5%	11,740
N P Greenaway*	40,000	40,000	100%	0	0%	0

* Nigel Greenaway retired from the Board on 14 April 2016.

The bonus share awards earned under the annual bonus arrangements for 2016 were calculated at the average share price of £19.459 over the period from 1 January 2017 to 14 February 2017, inclusive. These awards will ordinarily vest half on the announcement of the annual results in 2018 and half on the announcement of the annual results in 2019. Vesting of Bonus Share Scheme awards is not subject to further performance conditions, other than the Director must remain employed at the date of exercise (subject to standard good leaver provisions).

Long Term Incentive Plan awards vesting in 2016

Jeff Fairburn, Mike Killoran and Dave Jenkinson have outstanding awards under the 2012 LTIP, which have a 10 year performance period. The first and second targets have been achieved, which is to return £1.70 and £2.80 per share to shareholders by 31 December 2015 and 31 December 2017 respectively. However vesting will not take place until 31 December 2017.

Nigel Greenaway retired from the Group on 30 April 2016 after almost 30 years' service and as a good leaver his 2012 LTIP awards vested on 1 May 2016. The number of shares available under his awards was reduced on a pro-rata basis in accordance with the 2012 LTIP rules. The performance condition attached to the awards was the achievement of Capital Return Plan payments to shareholders (for further information on the performance condition see page 78). By the date of Nigel's retirement £3.50 of the £6.20 Capital Return Plan payments due under the performance condition had been achieved. As a result, Nigel was able to acquire 667,420 shares at an option price of £2.70 and 39,325 shares at an option price of £7.59. The share price on the date of vesting was £19.87 making the value of the awards on that date £11,942,512. Nigel is required to retain half of any shares remaining after sales to pay tax for a minimum of one year from date of exercise.

Directors' pension entitlements

The value of the pension benefits earned and salary supplements paid during the year is as follows.

	Value of defined benefit pension earned £	Salary supplement £	Total £
Executive Director			
J Fairburn [#]	12,650	148,380	161,030
D Jenkinson	24,144	104,286	128,430
M H Killoran	n/a	149,061	149,061
N P Greenaway [*]	n/a	9,079	9,079

[#] Jeff Fairburn left the defined benefit pension scheme on 31 March 2016.

^{*} Nigel Greenaway retired as a Director on 14 April 2016.

Dave Jenkinson is a member of the Company's defined benefit pension scheme and Jeff Fairburn was a member until 31 March 2016, when he elected to cease accrual due to HMRC tax allowance limits. Benefits are earned on a career average revalued earnings basis at an accrual rate of sixtieths. They each have a normal retirement age in the scheme of 65. Both Dave Jenkinson and Jeff Fairburn earned pension on a scheme capped salary of £149,400 until 31 March 2016. Dave Jenkinson's pensionable salary was amended to £37,500 from 1 April 2016, to align his pension accrual with his pension Annual Allowance for tax purposes. In addition, each received a salary supplement of 24% of the difference between their pensionable salaries and their base salaries. After ceasing membership of the scheme on 31 March 2016 Jeff Fairburn's salary supplement was payable on his full base salary.

Mike Killoran has ceased membership of the Company pension schemes, as had Nigel Greenaway. Both previously earned benefits in the Company's defined benefit pension scheme. Mike Killoran's scheme retirement age is 60 and Nigel Greenaway's is 65. Mike Killoran is paid a salary supplement of 30% of his base salary, which the Committee (after taking advice) considers is cost neutral to the Company based on the pension benefits Mike Killoran previously earned. Prior to his retirement, Nigel Greenaway received a salary supplement of 9% of his base salary.

No additional benefits are receivable by the Directors on early retirement.

The defined benefit pension benefits accrued for each Director serving through the year are as set out below:

	Accrued pension as at 31 December 2016 £	Accrued pension as at 31 December 2015 £	Increase in accrued pension £	Increase in accrued pension during the year (net of inflation) £
J Fairburn	54,436	53,804	632	632
D Jenkinson	43,682	42,475	1,207	1,207

Annual report on remuneration
continued

LTIP awards granted in 2016

Dave Jenkinson was promoted from North Division Chief Executive to Group Managing Director on 7 January 2016 and consequently assumed responsibilities for all Group operating businesses across the country. Due to the substantially increased nature of Dave's responsibilities the Committee agreed that Dave's promotion merited an additional award of an option under the Long Term Incentive Plan 2012 (2012 LTIP). Dave was therefore granted the following option in 2016, to bring his total award to the maximum approved by shareholders for the Group Managing Director.

Name	Type of interest awarded	Basis on which award was made	Number of ordinary shares	Initial option exercise price	Fair value* at date of the award	Fair value per year to date of full vesting	Regulatory value* of the Award	Percentage receivable if minimum performance achieved	Performance period end date
Dave Jenkinson	Market value share option	Specified number of shares on promotion to Group Managing Director	745,800	£21.02	£1,543,806	£385,952	£14,871,252	27%	31 December 2021

* The fair value of the award is considered by the Committee to be £2.07 per share. This is the independent calculation of the fair value of the awards for such transactions in the Statement of Comprehensive Income and has been prepared using the Black Scholes option pricing model. The awards were granted with an option price at full market value and the value will be dependent upon the performance condition being met.

^ The regulatory value is required to be included using a strict calculation which is inappropriate for this award. It should be noted that the regulatory value has been calculated using the share price on the date of grant, it takes no account of the fact the award was a market value option and makes no allowance for the exercise price that will be payable by the Director. The date of grant was 7 March 2016 and the share price on that date was £19.94, however, in accordance with the rules of the 2012 LTIP the market value for setting the initial option exercise price was the average of the mid-market price of a share on the five days prior to the date of grant.

The number of shares that will vest is the same for all awards made under the 2012 LTIP and is dependent on the payment of cash returns to shareholders for the period 1 January 2012 to 31 December 2021, which must be achieved by the Measurement Dates set out below.

Cumulative Cash Return targets	Measurement Dates	Achieved
£1.70 per share or more	by 31 December 2015	✓
£2.80 per share or more	by 31 December 2017	✓
£3.90 per share or more	by 31 December 2019	
£5.05 per share or more	by 31 December 2020	
£6.20 per share or more	by 31 December 2021	

The initial exercise price will reduce by an amount equal to the value of cash returns to shareholders made by the Company during the period from date of grant to the earlier of 31 December 2021 or the date of exercise of an option.

The aggregate number of shares held under an option that will vest by each Measurement Date will normally be determined by reference to the fraction $x/£6.20$, where x is the value of the Cumulative Cash Return paid by the relevant Measurement Date. The first and second stages of the performance condition have been achieved but no awards will ordinarily vest until 31 December 2017, at which point up to 40% of the total number of shares held under an option will vest and may be exercised. The remainder of the award will vest upon completion of the original Capital Return Plan to pay £6.20 per share.

In considering the extent to which the performance condition has been satisfied, no options shall vest and become exercisable unless, in the opinion of the Committee, acting fairly and reasonably, the cash returns paid by the Company are financed out of retained earnings and the Company has an ungeared balance sheet at the relevant Measurement Date, except to take account of events and/or circumstances which the Committee fairly and reasonably determines are appropriate (the 'Underpin').

If the Cumulative Cash Return is not achieved by a future Measurement Date options will vest and become exercisable on the Measurement Date by which the Cash Return for that date has not been achieved and the number of shares that vest will be reduced accordingly.

Once an option vests and becomes exercisable, a participant will be able to sell sufficient shares to pay the tax and national insurance payable but will be required to retain half of the balance of their shares for at least 12 months from date of exercise.

Payments for loss of office

There were no payments for loss of office in 2016.

Payments to past Directors

Nigel Greenaway

Nigel Greenaway retired from the Board on 14 April 2016 after almost 30 years' service with the Group; in the single total figure of remuneration table on page 75 we have included his salary, benefits and pension earned for the period from 1 January 2016 to 14 April 2016. Nigel retired from the Group on 30 April 2016 and in the period from 14 April 2016 to 30 April 2016 continued to receive his salary, benefits and pension.

Nigel earned a bonus in respect of his performance in the year, which is included in the single figure of remuneration table on page 75, as referred to on page 76.

As a good leaver under the rules of the Group's SAYE scheme, Nigel's SAYE option became exercisable on 1 May 2016. He was able to acquire 532 shares at an option price of £10.80 and 984 shares at an option price of £8.89.

Other Payments to Past Directors

There were no other payments to past Directors for the year ended 31 December 2016 where the total payment to the former Director exceeded a threshold set by the Company of £60,000.

Service contracts

The Executive Directors have service contracts with a 12 month notice period. The Chairman and Non-Executive Directors are not employees, they have letters of appointment which set out their duties and responsibilities; they do not have service contracts. The Chairman's continued appointment is subject to his re-election by shareholders at each AGM and may be terminated on six months' notice. A Non-Executive's appointment is initially for a three-year term, subject to re-election at each AGM but their appointment may be terminated on one month's notice.

There are no change of control provisions in the Executive Directors' service contracts. The rules of the Company's share schemes provide for early exercise of awards on a takeover or change of control.

Annual report on remuneration
continued

Directors' share option scheme interests

	Scheme	Total interests outstanding at 31 December 2015	Granted in year	Exercised in year	Lapsed in year	Exercise price/ market price at date of award	Interests without performance conditions	Interests with performance conditions	Total interests outstanding at 31 December 2016	Options vested but unexercised	Exercisable from
J Fairburn	2012 LTIP	2,416,000	–	–	–	620p	–	2,416,000	2,416,000	–	40% Jan 18 100% Jan 22
	2012 LTIP	2,174,400	–	–	–	1109p	–	2,174,400	2,174,400	–	40% Jan 18 100% Jan 22
	2012 LTIP	241,600	–	–	–	1684p	–	241,600	241,600	–	40% Jan 18 100% Jan 22
	Bonus share scheme	10,495	–	10,495	–	1364p	–	–	–	–	Feb 16
	Bonus share scheme	33,088	–	16,544	–	1667p	16,544	–	16,544	–	50% Feb 16 50% Feb 17
	Bonus share scheme	–	30,713	–	–	2077p	30,713	–	30,713	–	50% Feb 17 50% Feb 18
	SAYE	1,666	–	–	–	1080p	1,666	–	1,666	–	Dec 17
Total		4,877,249	30,713	27,039	–		48,923	4,832,000	4,880,923	Nil	
D Jenkinson	2012 LTIP	1,209,677	–	–	–	620p	–	1,209,677	1,209,677	–	40% Jan 18 100% Jan 22
	2012 LTIP	460,523	–	–	–	1135.5p	–	460,523	460,523	–	40% Jan 18 100% Jan 22
	2012 LTIP	–	745,800	–	–	2102p	–	745,800	745,800	–	40% Jan 18 100% Jan 22
	Bonus share scheme	220	–	220	–	1364p	–	–	–	–	Feb 16
	Bonus share scheme	7,833	–	3,916	–	1667p	3,917	–	3,917	–	50% Feb 16 50% Feb 17
	Bonus share scheme	–	7,958	–	–	2077p	7,958	–	7,958	–	50% Feb 17 50% Feb 18
	SAYE	1,666	–	–	–	1080p	1,666	–	1,666	–	Dec 17
Total		1,679,919	753,758	4,136	–		13,541	2,416,000	2,429,541	Nil	
M H Killoran	2012 LTIP	3,382,400	–	–	–	620p	–	3,382,400	3,382,400	–	40% Jan 18 100% Jan 22
	Bonus share scheme	8,599	–	8,599	–	1364p	–	–	–	–	Feb 16
	Bonus share scheme	11,131	–	5,565	–	1667p	5,566	–	5,566	–	50% Feb 16 50% Feb 17
	Bonus share scheme	–	11,308	–	–	2077p	11,308	–	11,308	–	50% Feb 17 50% Feb 18
	SAYE	1,666	–	–	–	1080p	1,666	–	1,666	–	Dec 17
Total		3,403,796	11,308	14,164	–		18,540	3,382,400	3,400,940	Nil	
N P Greenaway*	2012 LTIP	1,540,200	–	–	–	620p	–	1,540,200	1,540,200	–	01 May 2016
	2012 LTIP	130,000	–	–	–	1109p	–	130,000	130,000	–	01 May 2016
	Bonus share scheme	6,051	–	6,051	–	1364p	–	–	–	–	Feb 16
	Bonus share scheme	7,833	–	3,916	–	1667p	3,917	–	3,917	–	50% Feb 16 50% 1 May 16
	Bonus share scheme	–	7,958	–	–	2077p	7,958	–	7,958	–	01 May 2016
	SAYE	1,012	–	–	–	889p	1,012	–	1,012	–	01 May 2016
	SAYE	833	–	–	–	1080p	833	–	833	–	01 May 2016
Total		1,685,929	7,958	9,967	–		13,720	1,670,200	1,683,920	Nil	
Grand total		11,646,893	803,737	55,306	–		94,724	12,300,600	12,395,324	Nil	

All of the above represent share options and were granted for no financial consideration.

* Nigel Greenaway's interests are shown to 14 April 2016, the date he retired from the Board.

Statement of Directors' shareholding requirements and share interests

The share ownership requirements of the Directors serving during the year and the share interests of the Directors and of their connected persons in the ordinary share capital of the Company are as shown below:

Director	Shareholding requirement		Beneficial holdings (including interests of the Director's connected persons)	
	Value of base salary required to be held	Value of base salary held at 31 December 2016 (including shares held by connected persons)*	31 December 2016	31 December 2015
J Fairburn	200%	443%	168,375	154,315
D Jenkinson	200%	121%	35,181	33,031
M H Killoran	200%	2,282%	657,649	650,284
N P Greenaway*	200%	416%	76,655	66,688
<i>Non-Executives</i>				
N H T Wrigley	n/a	n/a	36,000	36,000
J Davie	n/a	n/a	20,000	20,000
M Sears	n/a	n/a	10,000	10,000
R Kentleton	n/a	n/a	2,471	1,203
N Mills**	n/a	n/a	0	n/a
R J Pennycook*	n/a	n/a	643	643
M Preston*	n/a	n/a	500	500
Total			1,007,474	972,664

± Calculated on the closing price of £17.76 at 31 December 2016 and on base salary at 1 January 2017, except for Nigel Greenaway whose figure is based on the closing price of £19.00 at 14 April 2016 and on base salary at 1 January 2016.

Jeff Fairburn and Mike Killoran each also has a non-beneficial interest in 48,360 and 64,022 shares respectively, in addition to the holdings above.

** Nigel Mills was appointed to the Board on 4 April 2016.

* Figures are to 14 April 2016, when Nigel Greenaway, Richard Pennycook and Mark Preston retired from the Board.

Executive Directors are expected to hold shares in the Company worth 200% of base salary and must retain any vested share awards (net of tax) until the share ownership requirement is met. Jeff Fairburn and Mike Killoran hold shares above the minimum share ownership requirement, as did Nigel Greenaway prior to his retirement. Dave Jenkinson as the most recently appointed Executive Director is yet to meet the shareholding requirement.

There are no share ownership requirements for the Chairman or the Non-Executive Directors.

The Directors' beneficial holdings were 929,676 shares at 31 December 2016 and represent 0.3% of the Company's issued share capital as at that date. There has been no change in the Directors' interests set out above between 31 December 2016 and 24 February 2017.

Strategic report

Governance

Financial statements

Other information

Annual report on remuneration
continued

Total shareholder return performance

We have chosen to compare the Company's total shareholder return performance with that of the FTSE 350, being a broad index of the UK's largest companies and with the largest UK listed housebuilders, being the Company's peer group. The performance period is set by legislation and covers the last eight years.

Graph removed

Group Chief Executive remuneration 2009 to 2016

	Chief Executive	Single figure of total remuneration £	Annual bonus paid against maximum opportunity	LTIP awards vesting against maximum opportunity
2016	J Fairburn	2,123,692	97.3%	n/a
2015	J Fairburn	1,995,213	97.3%	n/a
2014	J Fairburn	1,890,918	91.6%	n/a
2013*	M P Farley/J Fairburn	5,957,479	100%	100%
2012	M P Farley	4,989,127	100%	100%
2011	M P Farley	3,206,309	98%	88%
2010	M P Farley	1,496,320	96%	0%
2009	M P Farley	1,378,781	64%	0%

* This is the total remuneration for Mike Farley, who was Group Chief Executive until 18 April 2013, and remuneration for Jeff Fairburn from 18 April 2013, the date he became Group Chief Executive.

Group Chief Executive change in remuneration

Set out below is a comparison of the change in remuneration of the Group Chief Executive from 2015 to 2016, compared to the change in remuneration of the Group's salaried employees. We have selected the salaried workforce as the comparator group as this includes 2,809 (2015: 2,729) junior to senior employees with the most relevant pay structure.

	Percentage change from 2015 to 2016		
	Annual salary	Bonus	Value of taxable benefits
Group Chief Executive	3.0%	3.0%	3.4%
Average of salaried employees	2.72%	-2.99%	13.8%

The average bonus per salaried employee fell over the year due to the dilution effect of the increased number of more junior employees and trainees, recruited to support the growth of the business. These employees generally receive a lower percentage bonus than managers and directors.

Salaried employees generally received a 3% pay increase in 2016. The average per capita salary increase was lower in 2016, again due to the dilution effect of the increased number of more junior employees and trainees.

Statement of voting at General Meeting

The Directors' remuneration policy, effective from 16 April 2014, and the Annual Report on Remuneration for 2015 were put to shareholders for approval at the 2014 AGM and the 2016 AGM respectively. The resolutions were passed on a show of hands, and the table below summarises the proxy votes lodged.

	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of the Directors' Remuneration Policy – 16 April 2014	183,302,230	90.8	18,349,187	9.1	201,897,660	637,189 (representing 0.2% of the issued share capital)
Approval of the Annual Report on Remuneration – 14 April 2016	186,459,219	91.4	17,504,349	8.6	204,114,816	75,699 (representing 0.02% of the issued share capital)

Relative importance of spend on pay

Set out below is the amount spent on remuneration for all employees of the Group (including for Executive Directors) and the total amounts paid in distributions to shareholders over the year.

	2016 £m	2015 £m	Difference in spend £m	Difference as a percentage
Remuneration for all employees	195.6	185.9	9.7	5.2%
Total Capital Return Plan payments made	338.3	291.1	47.2	16.2%

Remuneration policy implementation for 2017

As referred to in the statement from the Committee's Chairman on page 64, in accordance with the applicable legislation we are seeking shareholder approval for a new Directors' Remuneration Policy at the 2017 Annual General Meeting. Although we are seeking shareholder approval for a new Long Term Incentive Plan, no current Executive Directors will participate in that plan until awards under the 2012 LTIP have fully vested. The implementation of the new policy in 2017 will be consistent with the implementation of the current policy in 2016, and a summary of the approach is set out below.

Executive Directors

Base salaries

After taking into consideration Group employees' salary increases in 2016 (salaried employees generally received a 3% base salary increase in 2016) together with general market conditions, the Committee has awarded salary increases of 3% to the Executive Directors.

	Base salary from 1 January 2017	2016
Jeff Fairburn	£675,270	£655,600
Dave Jenkinson	£515,000	£500,000
Mike Killoran	£511,775	£496,870

Annual report on remuneration
continued

Annual bonus

In line with the Company's strategy to improve margins and return cash to shareholders under the Capital Return Plan, the Committee has decided that the most appropriate performance condition for 2017 annual bonus will again primarily be based on profit before tax and cash generation measures, plus conditions relating to customer satisfaction, which will account for 10% of the maximum bonus opportunity (but subject to a potential downward modifier based on customer care performance). Health and safety outcomes may act as a downward modifier of up to 10% of the bonus outcome. The Committee considers that the chosen annual bonus performance targets and maximum award levels achieve their aim of having a large part of an Executive Director's remuneration performance related and that those performance conditions are closely aligned to the Company's strategy to grow the business, improve margins and increase cash flow. They also link the Executive Directors' remuneration with two of the Company's key non-financial performance indicators.

The targets are based on figures which are commercially sensitive, but they will be disclosed in next year's Annual Report on Remuneration. The Committee considers that the targets it has set are stretching. Annual bonus awards continue to be subject to robust clawback and malus provisions.

The Committee has determined that the maximum annual bonus potential for Jeff Fairburn should remain at 200% of base salary. This structure enhances the emphasis on pay for performance, with any annual bonus payable in excess of 100% of base salary paid entirely in deferred shares.

The Committee has retained the maximum annual bonus achievable for the other Executive Directors at 150% of base salary. Any bonus earned in excess of 100% of base salary would again be paid in bonus share scheme awards for all Executive Directors. Ordinarily half will vest one year and the other half will vest two years after the announcement of the relevant year's financial results.

Long Term Incentive Plan awards

As set out in the updated policy, the Committee will not grant further awards to Jeff Fairburn, Mike Killoran or Dave Jenkinson until the 2012 LTIP awards have vested.

Pension and Pension Salary Supplement

There is no change to pension benefits for 2017; current arrangements are as set out on page 77.

Chairman and Non-Executive Directors' fees

The Committee has agreed that the Chairman's fee for 2016 should be increased by 3%, making his fee for 2017 £213,880. In addition, the Committee agreed that the Chairman should receive a car allowance of £23,000 p.a. from November 2016. The Board as a whole determines the fees of the Non-Executive Directors. The Board has agreed that the fee for 2017 should increase by approximately 3%, making the fee £60,000, plus the additional fee for the extra responsibilities in chairing a committee has increased from £10,000 to £15,000.

The Remuneration Committee

The Remuneration Committee is responsible for setting the Chairman's and each Executive Director's remuneration. The Committee is currently comprised of the following four Non-Executive Directors, who all served throughout the year except Nigel Mills who was appointed to the Committee on 4 April 2016 and Mark Preston who resigned from the Committee on 14 April 2016 when he resigned from the Board.

Current members	Date of appointment to the Committee
Jonathan Davie (Chairman)	1 January 2010
Nicholas Wrigley	18 December 2007
Marion Sears	20 February 2013
Nigel Mills	4 April 2016

The Committee sought advice on Executive Directors' remuneration matters from its independent remuneration consultants, New Bridge Street until March 2016 and then Deloitte LLP. Deloitte was selected by the Committee due to their expertise in executive remuneration. The Committee considers that the advice provided by Deloitte as professional remuneration consultants is objective and independent. Deloitte is a founding member of the Remuneration Consultants Group and adheres to its Code of Conduct in relation to executive remuneration consulting in the UK. Deloitte have no other connection with the Company.

The amount of fees the Company paid to New Bridge Street and Deloitte for the services they provided in 2016 was £690 and £19,646 respectively, charged on a time spent basis.

In addition, the Committee consulted with Jeff Fairburn, Group Chief Executive, but no Director was involved in any discussion about his own remuneration.

The Committee has also reviewed the remuneration of the Group's Regional Boards (the level of management below Board level).

By order of the Board



Jonathan Davie
Chairman Remuneration Committee

24 February 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The current Directors who are listed on pages 52 and 53 are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, 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.

Jeff Fairburn
Group Chief Executive
24 February 2017

Mike Killoran
Group Finance Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PERSIMMON PLC ONLY

Our opinion on the financial statements

In our opinion:

- Persimmon Plc's Group financial statements and Parent company financial statements (the 'financial statements') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

Persimmon Plc's financial statements comprise:

Group	Parent company
Group balance sheet as at 31 December 2016	Company balance sheet as at 31 December 2016
Consolidated statement of comprehensive income for the year then ended	Company statement of changes in equity for the year then ended
Group statement of changes in shareholders' equity for the year then ended	Company cash flow statement for the year then ended
Group cash flow statement for the year then ended	Related notes 1 to 32 to the financial statements
Related notes 1 to 32 to the financial statements	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition <i>Refer to Accounting policies (page 97); and Note 5 of the Consolidated Financial Statements (page 102)</i> The Group has reported revenues for the year of £3,136.8m (2015 – £2,901.7m). There is potential for material misstatement within revenue, particularly in relation to revenue being recorded in the wrong period, due to cut off errors or management bias.	We performed the following procedures over this risk area: • We performed walkthroughs to understand the key processes and identify key controls; • We tested key revenue controls; • We performed procedures using EY bespoke data analytics tools to test the appropriateness of journal entries recorded in the general ledger by correlating sales postings with cash receipts throughout the year; • We assessed whether revenue was recorded in the correct period by testing whether a sample of house sales recorded within 2 weeks either side of the year end had legally completed; and • We validated any material manual journals to assess for any evidence of management bias by corroborating to supporting documentation.	Based on our audit procedures we have concluded that revenue is appropriately recognised, and that there was no evidence of management bias.

Independent Auditor's Report to the Members of Persimmon Plc only
continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Inventory valuation and profit recognition <i>Refer to the Audit Committee Report (page 57); Accounting policies (page 97); and Note 17 of the Consolidated Financial Statements (pages 112 and 113)</i> At 31 December 2016, the Inventory balance includes WIP of £617.2m (2015 – £517.9m) and Land of £1,946.4m (2015 – £2,046.7m). The carrying value of Inventory is determined by reference to a number of assumptions which are subject to levels of inherent estimation. The carrying value of Inventory is assessed by management for impairment by reference to current market inputs and assumptions. In performing the assessment, management undertake bi-monthly valuations to determine the expected outcome of each development and hence identify if any impairment is required. The same judgements are also used to determine the margin on each development which is used to determine the profit to be recognised.	We performed the following procedures over this risk area: • We performed walkthroughs to understand the key processes and identify key controls; • We performed testing on the Group's controls over the bi-monthly valuation process. In testing these controls we attended a valuation meeting to observe the level of rigour management apply in challenging the assumptions within the site valuations. We inspected a sample of valuation meeting minutes in respect of the valuation meetings held throughout the year. This included ensuring that the appropriate individuals were in attendance at the meeting together with confirming the process which is undertaken to challenge the margin, forecast costs to compete and any other factors that could impact on the margin and confirm that any updates were made to the forecasts; • For a sample of development sites based on factors such as size and risk, we compared the estimated and actual costs and margin across the development lifecycle. We validated the key drivers for changes in costs and margin in order to assess management's ability to forecast accurately; • We critically assessed the appropriateness of key assumptions and the commercial viability of sites as determined by management; • We assessed the appropriateness of any provisions included within the calculations, comparing movements to prior periods, re-computing calculations and performing sensitivity analysis on sites where the margin was close to breakeven; and • We assessed the adequacy of the related disclosures in the Financial Statements.	Based on our audit procedures we have concluded that the Inventory balance and profit recognised in the year are not materially misstated.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of shared equity receivables <i>Refer to the Audit Committee Report (page 57); Accounting policies (page 97); and Note 16 of the Consolidated Financial Statements (page 112)</i> At 31 December 2016 the Group was carrying shared equity receivables on the balance sheet of £148.7m (2015 – £177.9m). The carrying value of these available-for-sale financial assets is based on a number of assumptions which contain inherent uncertainties and which require management judgement.	We performed the following procedures over this risk area: • We performed walkthroughs to understand the key processes and identify key controls; • We critically assessed the appropriateness of key assumptions such as: – House price inflation – Discount rate – Recoverability • We performed sensitivity analysis over key assumptions • We tested a sample of amounts settled in the year to ensure that they had been appropriately derecognised • We confirmed the existence of a sample of amounts recognised on the balance sheet by reference to the original loan documentation • We assessed the integrity and arithmetical accuracy of the calculations within management's valuation model; and • We assessed the adequacy of the related disclosures in the Financial Statements.	Based on our audit procedures we have concluded that the available for sale asset – shared equity receivable is not materially misstated.

The scope of our audit

We performed an audit of Persimmon Plc, as if it were a single aggregated set of financial information. Our work therefore covered 100% of Profit before tax, 100% of Revenue and 100% of Total assets.

This is the same approach adopted by KPMG in the prior year audit.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £38.7m, which is 5% of Profit Before Tax. We believe that Profit Before Tax provides us with an appropriate basis for materiality and is the most relevant measure for stakeholders.

In the prior year, materiality was set at £31.2m based on 5% of Profit Before Tax.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £19.4m. This reflects our normal practice in the case of a first year audit.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1.9m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Independent Auditor's Report to the Members of Persimmon Plc only
continued

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 86, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- based on the work undertaken in the course of the audit:
 - the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
 - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they 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 entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
--	---	----------------------------------

Matters on which we are required to report by exception

Companies Act 2006 reporting

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have no exceptions to report.

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Listing Rules review requirements

We are required to review:

- the directors' statement in relation to going concern, *set out on page 61*, and longer-term viability, *set out on page 30* and
- the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have no exceptions to report.

Statement on the Directors' Assessment of the Principal Risks that would threaten the solvency or liquidity of the Entity**ISAs (UK and Ireland) reporting**

We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:

We have nothing material to add or to draw attention to.

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.



Peter McIver (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

24 February 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 Total £m	2015 Total £m
Revenue	5	3,136.8	2,901.7
Cost of sales		(2,265.4)	(2,164.4)
Gross profit		871.4	737.3
Other operating income		6.8	11.6
Operating expenses		(107.7)	(122.7)
Profit from operations before impairment of intangible assets		778.5	634.5
Impairment of intangible assets	13	(8.0)	(8.3)
Profit from operations	9	770.5	626.2
Finance income	8	19.8	22.1
Finance costs	8	(15.5)	(18.8)
Profit before tax		774.8	629.5
Tax	10.1	(149.5)	(107.6)
Profit after tax (all attributable to equity holders of the parent)	12	625.3	521.9
Other comprehensive (expense)/income			
Items that will not be reclassified to profit:			
Remeasurement (losses)/gains on defined benefit pension schemes	27	(23.4)	7.5
Tax	10.2	4.4	(1.1)
Other comprehensive (expense)/income for the year, net of tax		(19.0)	6.4
Total recognised income for the year		606.3	528.3
Earnings per share			
Basic	12	203.0p	170.3p
Diluted	12	197.0p	166.4p

The Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement.

BALANCE SHEETS

As at 31 December 2016

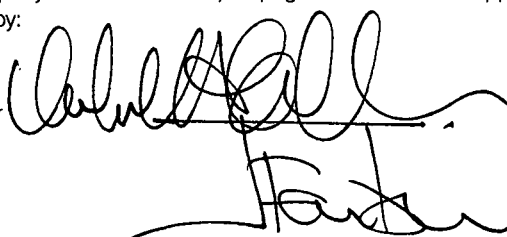
	Note	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Assets					
Non-current assets					
Intangible assets	13	213.6	221.6	1.8	2.0
Property, plant and equipment	14	43.0	37.4	2.6	2.1
Investments accounted for using the equity method	15.1	3.0	3.0	–	–
Investments in subsidiaries	15.2	–	–	3,205.7	3,205.7
Available for sale financial assets	16	148.7	177.9	–	–
Trade and other receivables	18	8.8	10.1	–	–
Deferred tax assets	22	42.5	46.6	39.9	39.8
Retirement benefit assets	27	23.3	18.0	23.3	18.0
		482.9	514.6	3,273.3	3,267.6
Current assets					
Inventories	17	2,645.0	2,645.3	–	–
Trade and other receivables	18	103.7	91.5	1,275.5	1,028.0
Cash and cash equivalents	24	913.0	570.4	711.4	442.5
Current tax assets		–	–	2.5	0.9
		3,661.7	3,307.2	1,989.4	1,471.4
Total assets		4,144.6	3,821.8	5,262.7	4,739.0
Liabilities					
Non-current liabilities					
Trade and other payables	20	(333.3)	(372.6)	(40.0)	(33.0)
Deferred tax liabilities	22	(17.7)	(18.3)	(4.0)	(3.2)
Partnership liability	28	(41.7)	(44.6)	–	–
		(392.7)	(435.5)	(44.0)	(36.2)
Current liabilities					
Trade and other payables	20	(935.0)	(846.8)	(3,824.1)	(3,338.4)
Partnership liability	28	(5.4)	(5.4)	–	–
Current tax liabilities		(74.1)	(78.3)	–	–
		(1,014.5)	(930.5)	(3,824.1)	(3,338.4)
Total liabilities		(1,407.2)	(1,366.0)	(3,868.1)	(3,374.6)
Net assets		2,737.4	2,455.8	1,394.6	1,364.4
Equity					
Ordinary share capital issued	23	30.8	30.7	30.8	30.7
Share premium		10.6	9.3	10.6	9.3
Capital redemption reserve		236.5	236.5	236.5	236.5
Other non-distributable reserve		276.8	276.8	–	–
Retained earnings		2,182.7	1,902.5	1,116.7	1,087.9
Total equity		2,737.4	2,455.8	1,394.6	1,364.4

The profit for the year dealt with in the accounts of the Company is £373.9m (2015: £447.2m).

The financial statements of Persimmon Plc (Company number: 1818486) on pages 92 to 139 were approved by the Board of Directors on 24 February 2017 and were signed on its behalf by:

J Fairburn
Group Chief Executive

M H Killoran
Group Finance Director



Persimmon Plc
Annual Report – December 2016

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2016

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other non- distributable reserve £m	Retained earnings £m	Total £m
Group						
Balance at 1 January 2015	30.6	103.4	136.7	281.4	1,640.5	2,192.6
Profit for the year	–	–	–	–	521.9	521.9
Other comprehensive income	–	–	–	–	6.4	6.4
Transactions with owners:						
Allotment of B/C shares	–	(95.2)	–	(4.6)	–	(99.8)
Redemption and cancellation of B/C shares	–	–	99.8	–	(99.8)	–
Dividends on equity shares	–	–	–	–	(191.3)	(191.3)
Issue of new shares	0.1	1.1	–	–	–	1.2
Exercise of share options/share awards	–	–	–	–	(0.6)	(0.6)
Share-based payments	–	–	–	–	24.8	24.8
Satisfaction of share options from own shares held	–	–	–	–	0.6	0.6
Balance at 31 December 2015	30.7	9.3	236.5	276.8	1,902.5	2,455.8
Profit for the year	–	–	–	–	625.3	625.3
Other comprehensive income	–	–	–	–	(19.0)	(19.0)
Transactions with owners:						
Dividends on equity shares	–	–	–	–	(338.3)	(338.3)
Issue of new shares	0.1	1.3	–	–	(0.1)	1.3
Own shares purchased	–	–	–	–	(1.0)	(1.0)
Exercise of share options/share awards	–	–	–	–	(1.0)	(1.0)
Share-based payments	–	–	–	–	13.3	13.3
Satisfaction of share options from own shares held	–	–	–	–	1.0	1.0
Balance at 31 December 2016	30.8	10.6	236.5	276.8	2,182.7	2,737.4

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.

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other non-distributable reserve £m	Retained earnings £m	Total £m
Company						
Balance at 1 January 2015	30.6	103.4	136.7	4.6	902.3	1,177.6
Profit for the year	–	–	–	–	447.2	447.2
Other comprehensive income	–	–	–	–	6.4	6.4
Transactions with owners:						
Allotment of B/C shares	–	(95.2)	–	(4.6)	–	(99.8)
Redemption and cancellation of B/C shares	–	–	99.8	–	(99.8)	–
Dividends on equity shares	–	–	–	–	(191.3)	(191.3)
Issue of new shares	0.1	1.1	–	–	–	1.2
Exercise of share options/share awards	–	–	–	–	(0.6)	(0.6)
Share-based payments	–	–	–	–	24.8	24.8
Other reserve movements	–	–	–	–	(1.1)	(1.1)
Balance at 31 December 2015	30.7	9.3	236.5	–	1,087.9	1,364.4
Profit for the year	–	–	–	–	373.9	373.9
Other comprehensive income	–	–	–	–	(19.0)	(19.0)
Transactions with owners:						
Dividends on equity shares	–	–	–	–	(338.3)	(338.3)
Issue of new shares	0.1	1.3	–	–	(0.1)	1.3
Own shares purchased	–	–	–	–	(1.0)	(1.0)
Exercise of share options/share awards	–	–	–	–	(1.0)	(1.0)
Share-based payments	–	–	–	–	13.3	13.3
Other reserve movements	–	–	–	–	1.0	1.0
Balance at 31 December 2016	30.8	10.6	236.5	–	1,116.7	1,394.6

During the year the Company received dividends from wholly owned subsidiary undertakings of £380.0m (2015: £450.0m).

Retained earnings include £23.1m of non-distributable items (2015: £26.9m).

The other non-distributable reserve arose prior to transition to IFRSs.

Strategic report

Governance

Financial statements

Other information

CASH FLOW STATEMENTS

For the year ended 31 December 2016

	Note	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Cash flows from operating activities:					
Profit for the year		625.3	521.9	373.9	447.2
Tax charge/(credit)	10.1	149.5	107.6	(0.6)	0.1
Finance income	8	(19.8)	(22.1)	(2.3)	(5.5)
Finance costs	8	15.5	18.8	1.4	1.6
Depreciation charge	14	8.0	7.1	0.4	0.3
Amortisation of intangible assets	13	–	–	0.2	0.3
Impairment of intangible assets	13	8.0	8.3	–	–
Share-based payment charge		14.0	11.2	14.0	11.2
Net imputed interest income		3.9	1.3	–	–
Other non-cash items		(3.9)	(0.5)	1.9	2.4
Cash inflow from operating activities		800.5	653.6	388.9	457.6
Movements in working capital:					
Decrease/(increase) in inventories		7.8	(232.0)	–	–
Increase in trade and other receivables		(18.3)	(27.8)	(277.2)	(172.6)
Increase in trade and other payables		11.1	196.5	493.9	145.5
Decrease in available for sale financial assets		44.6	35.6	–	–
Cash generated from operations		845.7	625.9	605.6	430.5
Interest paid		(4.0)	(4.4)	(1.6)	(1.6)
Interest received		3.1	1.2	1.3	0.5
Tax (paid)/received		(146.6)	(128.3)	3.4	2.4
Net cash inflow from operating activities		698.2	494.4	608.7	431.8
Cash flows from investing activities:					
Purchase of property, plant and equipment	14	(14.7)	(11.1)	(0.9)	(0.4)
Proceeds from sale of property, plant and equipment		0.8	1.3	–	–
Net cash outflow from investing activities		(13.9)	(9.8)	(0.9)	(0.4)
Cash flows from financing activities:					
Financing transaction costs		(0.9)	–	(0.9)	–
Payment of Partnership Liability		(2.8)	(2.7)	–	–
Own shares purchased		(1.0)	–	(1.0)	–
Share options consideration		1.3	1.2	1.3	1.2
B Share Redemption	11	–	(99.8)	–	(99.8)
Dividends paid	11	(338.3)	(191.3)	(338.3)	(191.3)
Net cash outflow from financing activities		(341.7)	(292.6)	(338.9)	(289.9)
Increase in net cash and cash equivalents	24	342.6	192.0	268.9	141.5
Cash and cash equivalents at the beginning of the year		570.4	378.4	442.5	301.0
Cash and cash equivalents at the end of the year	24	913.0	570.4	711.4	442.5

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2016:

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 1: Disclosure Initiative
- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS 11: Accounting for Acquisitions of Interest in Joint Operations
- Amendments to IAS 16 and IAS 41: Bearer Plants

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

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

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments

The Group is currently considering the implication of these standards. IFRS 15 Revenue from Contracts with Customers will be effective from 1 January 2018 and replaces IAS 18 Revenue. IFRS 15 is more prescriptive in relation to what should be included within revenue. IFRS 15 will require all defined sources of income to be included within revenue. Whereas the Group currently includes income from the sale of new houses within revenue, on adopting IFRS 15 income from sales transactions such as relating to part exchange properties and land will also be included (see note 5 for further details). This will result in an increase to both revenue and costs of sales but will not impact the reported profit from operations. It is anticipated the impact of the other standards on the financial position and performance of the Group will be minimal and effects will principally relate to amendment and extension of current disclosures.

Whilst not yet EU endorsed it is currently anticipated that IFRS 16 Leases will be effective for the Group from 1 January 2019. The key effect of this standard will be to require the Company to create a long term depreciating 'right of use' asset and corresponding lease liability for leases currently classified as operating leases and charged over the lease term in accordance with the current standard IAS 17 Leases. The net effect on profits in a given year is not anticipated to be significant. The Group operates a number of such operating leases, principally in relation to office properties and vehicles (see note 26 for further information).

2 Accounting policies

Statement of compliance

Both the consolidated Group and Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) including International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under accounting standards as adopted for use in the EU.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Going concern

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 on pages 2 to 49. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 24 to 49 of the Strategic Report. Further disclosures regarding borrowings are provided in note 19 to the financial statements. In addition, note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Directors have assessed the future funding requirements of the Group and the Company and compared it to the level of committed bank facilities and cash resources over the medium term. The assessment included a review of the financial forecasts and the preparation of sensitivity analysis on the key factors which could affect future cash flow and funding requirements.

The Group's policy on funding capacity is to ensure that it always has sufficient committed bank facilities in place to meet foreseeable peak working capital requirements. At 31 December 2016 the Group had cash and deposits of £913.0m and £300.0m of undrawn committed bank facilities available to meet future funding requirements.

At 31 December 2016, the net cash position of the Group was £913.0m (note 24).

Having undertaken this review, the Directors have a reasonable expectation that the Group has adequate resources to fund its operations for the foreseeable future in line with the Viability Statement. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Notes to the financial statements
continued

2 Accounting policies (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries up to 31 December each year. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect the returns through its power over the entity. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The subsidiary's identifiable assets, liabilities and contingent liabilities are recognised at their fair value at the acquisition date.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of the acquisition. Goodwill arising on acquisition of subsidiaries and businesses is capitalised as an asset. Goodwill is subsequently measured at cost less any accumulated impairment losses.

Brand intangibles

Internally generated brands are not held on the balance sheet. The Group carries assets on the balance sheet only for brands that have been acquired. Acquired brand values are calculated based on discounted cash flows. No amortisation is charged on brand intangibles as the Group believes that the value of the brands is maintained indefinitely. The factors that result in the durability of the brands capitalised are that there are no material legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of these intangibles. The acquired brands are tested annually for impairment by performing a value in use calculation, using a discount factor based on the Group's pre-tax weighted average cost of capital, on the branded income stream.

Where a brand's life is not deemed to be indefinite it is written off over its expected useful life on a straight-line basis.

Revenue recognition

Revenue in respect of the sale of residential properties is recognised at the fair value of the consideration received or receivable on legal completion. The sales proceeds of part exchange properties are included as a reduction in cost of sales as the purchase and sale of part-exchange properties is regarded as a mechanism for selling.

Government grants

Grants are included within work in progress in the balance sheet and are credited to the statement of comprehensive income over the life of the developments to which they relate. Grants related to income are deducted from the related expense in the statement of comprehensive income.

Other operating income

Other operating income comprises profits from the sale of land holdings, freehold reversions, rent receivable, and other incidental sundry income.

Operating expenses

Operating expenses represent the administration costs of the business, which are written off to the statement of comprehensive income as incurred.

Borrowing costs

Interest bearing bank loans, overdrafts and Partnership liabilities are initially measured at fair value (being proceeds received, net of direct issue costs) and are subsequently measured at amortised cost, using the effective interest rate method. Finance charges, including direct issue costs are accounted for and taken to the statement of comprehensive income using the effective interest rate method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Where bank agreements include a legal right of offset for in hand and overdraft balances, and the Group intends to settle the net outstanding position, the offset arrangements are applied to record the net position in the balance sheet.

Exceptional items

Exceptional items are items of income and expenditure that, in the judgement of management, should be disclosed separately on the basis that they are material, either by their nature or their size, to an understanding of the financial performance and significantly distort the comparability of financial performance between accounting periods. Items of income or expense that are considered by management for designation as exceptional include such items as major restructuring and significant impairment of assets.

2 Accounting policies (continued)

Share-based payments

Charges for employee services received in exchange for share-based payment have been made for all options/awards in accordance with IFRS 2: Share-based Payment, to spread the fair value of the grant over the anticipated vesting period.

The fair value of such options has been calculated using generally accepted option pricing models, based upon publicly available market data at the point of grant. Share options include both market and non-market conditions. Market conditions are considered in the establishment of the initial valuation of the options. In the event of failure to meet market conditions share-based payment charges are not reversed. In the event of failure to meet non-market conditions share-based payment charges are reversed.

Share-based payments are charged wholly in the ultimate Parent Company.

Retirement benefit costs

The Group operates two defined benefit pension schemes. It also operates two defined contribution schemes for employees who are not members of a defined benefit scheme. The asset/liability in respect of the defined benefit schemes is the present value of the defined benefit obligation at the balance sheet date, less the fair value of the schemes' assets, together with adjustments for remeasurement gains and losses. Where a net asset results it is limited to the present value of economic benefits available in the form of future refunds from the scheme or reductions in future contributions, subject to any minimum funding requirements. Further details of the schemes and the valuation methods applied may be found in note 27.

Interest cost on the scheme liabilities and finance returns on scheme assets are recognised at the applicable discount rate as net finance income/costs in the statement of comprehensive income and remeasurement gains and losses via the statement of other comprehensive income.

Subsidiary entities bear a charge for current employees based upon their current pensionable salaries. Differences between this charge and the current service cost are borne by the Company as the legal sponsor, as are all experience gains and losses. There is no contractual arrangement or stated policy for recharging the other Group entities involved in the Scheme.

Payments to the defined contribution schemes are accounted for on an accruals basis. Once the payments have been made, the Group has no further payment obligations.

Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using enacted or substantially enacted tax rates, and adjusted for any tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting or taxable profit, and differences relating to investment in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the carrying amount of assets and liabilities, using the tax rates applicable, or expected to be applicable at the date of settlement, based on enacted rates at the reporting date.

Where the deferred tax asset recognised in respect of share-based payments would give rise to a credit in excess of the related accounting charge at the prevailing tax rate the excess is recognised directly in equity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities when the Group intends to settle its current tax assets and liabilities on a net basis.

Leases as lessee

Amounts payable under operating leases are charged to work in progress or operating expenses on a straight line accruals basis over the lease term.

Property, plant and equipment

It is the Group's policy to hold property, plant and equipment at cost less accumulated depreciation, subject to the requirement to test assets for impairment.

Depreciation on property, plant and equipment is provided using the straight line method to write off the cost less any estimated residual value, over the estimated useful lives on the following bases:

Plant – 3 to 5 years.

Fixtures and fittings – 3 to 5 years.

Freehold buildings – 50 years.

No depreciation is provided on freehold land.

The assets' useful economic lives and residual values are reviewed and adjusted, if appropriate, at each financial year end. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Notes to the financial statements
continued

2 Accounting policies (continued)

Investments

Interests in subsidiary undertakings are valued at cost less impairment. Other investments are stated at fair value.

Joint ventures

A joint venture is an entity in which the Group holds an interest with one or more other parties where a contractual arrangement has established joint control over the entity, and where the arrangements entitle the Group to a share of the net assets of the entity.

Investments in joint ventures are accounted for under the equity method of accounting.

Joint operations

A joint operation is an arrangement or entity in which the Group holds an interest with one or more other parties where a contractual arrangement has established joint control over the operation and where the arrangements entitle the Group to rights over specific assets or obligations of the operation. The Group recognises its share of revenue, costs, assets and liabilities for its joint operations.

Available for sale financial assets

Receivables on extended terms granted as part of a sales transaction are secured by way of a second legal charge on the respective property, and are stated at fair value as described in note 16. Gains and losses arising from changes in fair value are recognised in the other comprehensive income section of the statement of comprehensive income, with the exceptions of impairment losses, changes in future cash flows and interest calculated using the effective interest rate method, which are recognised within profit for the year. Where the asset is disposed of, or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is included in the income statement for the period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Land with planning includes undeveloped land and land under development and is initially recorded at discounted cost. Where, through deferred purchase credit terms, the carrying value differs from the amount that will ultimately be paid in settling the liability, this difference is charged as a finance cost in the statement of comprehensive income over the period of settlement. Work in progress comprises direct materials, labour costs, site overheads, associated professional charges and other attributable overheads. Net realisable value represents the estimated selling prices less all estimated costs of completion and overheads. Investments in land without the benefit of a planning consent are initially included at cost. Regular reviews are carried out to identify any impairment in the value of the land considering the existing use value of the land and the likelihood of achieving a planning consent and the value thereof. Provision is made to reflect any irrecoverable amounts.

Expenditure relating to forward land, including options and fees, is held at cost. If the option expires or the Directors no longer consider it likely that the option will be exercised prior to the securing of planning permission, the amount is written off on that date.

Trade and other receivables

Trade receivables on normal terms do not carry any interest, are stated at amortised cost and are assessed for recoverability on an ongoing basis.

Inter-Group guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Trade and other payables

Trade payables on normal terms are not interest bearing and are stated at amortised cost. Trade payables on extended terms, particularly in respect of land purchases, are initially recorded at their fair value and subsequently measured at amortised cost using the effective interest method.

Deposits

New property deposits and on account contract receipts are held within current trade and other payables until the legal completion of the related property or cancellation of the sale.

Cash and cash equivalents

Cash and cash equivalents include cash and balances in the bank accounts with no notice or less than three months' notice from inception, and are subject to insignificant risk of changes in value.

Interest bearing borrowings

Interest bearing borrowings and Partnership liabilities are carried at amortised cost.

Dividends

Dividends receivable from subsidiaries are accounted for on a cash basis, or once formally approved by the shareholders of the subsidiary companies.

Dividends payable are recorded in the period in which they are approved or paid, whichever is earliest.

2 Accounting policies (continued)

Own shares held

The Group may acquire holdings in its own shares either directly or via employee benefit trusts. The acquisition cost of such shares (including associated purchase costs) is treated as a deduction from retained earnings. Such shares may be used in satisfaction of employee options or rights, in which case the cost of such shares is reversed from the profit reserves on a 'first in first out' basis.

Transactions of the Company sponsored EBT are treated as being those of the Company and are therefore reflected in the Company financial statements. In particular, the trust's purchases and sales of shares in the Company are debited and credited directly to equity.

3 Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies which are described in note 2, the Directors have made no individual judgements that have a significant impact upon the financial statements, excepting those involving estimation which are dealt with below.

The key sources of estimation uncertainty at the balance sheet date are:

Land and work in progress

Valuations which include an estimation of costs to complete and remaining revenues are carried out at regular intervals throughout the year, during which site development costs are allocated between units built in the current year and those to be built in future years. These assessments include a degree of inherent uncertainty when estimating the profitability of a site and in assessing any impairment provisions which may be required.

During the year ended 31 December 2016, the Group conducted reviews of the net realisable value of its inventory carrying values. This review did not result in any further net reversal of the previous write downs of inventories. The reviews were conducted on a site by site basis, using valuations that incorporated selling price and development cost movements, based on local management and the Board's assessment of market conditions existing at the balance sheet date. If there are significant movements in UK house prices or development costs beyond management's expectations then further impairments/reversals of previous write downs of land and work in progress may be necessary.

Available for sale financial assets

Available for sale financial assets, also known as shared equity receivables, principally comprise loans granted as part of sales transactions that are secured by way of a second legal charge on the respective property. Asset valuation and impairment allowances are determined on a portfolio basis which takes into account factors such as the length of time that the loan has been outstanding, market conditions, including those in respect of house price inflation, forced sale discount and probability of borrower default. The variables used are kept under regular review to ensure that as far as possible they reflect current economic circumstances; however changes in house prices, redemption dates, interest rates, unemployment levels and bankruptcy trends in the UK could result in actual returns differing from reported valuations. At 31 December 2016 the asset recognised on the balance sheet was £148.7m (2015: £177.9m).

Goodwill

The impairment testing of goodwill is substantially dependent upon the ability of the Group to successfully progress its strategic land holdings. The assumptions on which this estimate is based may be undermined by any significant changes in the current planning regime, or adverse economic conditions in the UK. The carrying amount of goodwill at the balance sheet date was £153.6m with an impairment of £8.0m recognised during the year.

Brand intangibles

The intangible brand assets have been assessed against the discounted cash flows arising. These are based upon estimated returns from the related businesses, which may be impacted by various factors, most notably Government social housing policy and further deterioration in the economic conditions in the UK. The carrying amount of indefinite life brands at the balance sheet date was £60.0m, with no impairment recognised during the year ended 31 December 2016.

Pensions

The Directors have employed the services of a qualified, independent actuary in assessing pension assets/liabilities. However, they recognise that final liabilities and asset returns may differ from actuarial estimates and therefore the ultimate pension asset/liability may differ from that included in the financial statements.

Notes to the financial statements
continued

4 Principal activities

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.

5 Revenue

An analysis of the Group's revenue is as follows:

	2016 £m	2015 £m
Revenue as noted in the statement of comprehensive income:		
Sale of goods	3,136.8	2,901.7
Other operating income	6.8	11.6
Finance income	19.8	22.1
Total revenue	3,163.4	2,935.4

Sale of goods includes £173.1m (2015: £269.7m) in respect of the value of properties accepted in part exchange by the Group. Proceeds received on the disposal of part exchange properties, which are not included in revenue, were £176.8m (2015: £286.7m).

6 Key management remuneration

Key management personnel, as disclosed under IAS 24 (Related Party Disclosures), have been identified as the Board of Directors. Detailed disclosures of individual remuneration, pension entitlements and share options, for those Directors who served during the year, are given in the Annual Report on Remuneration on pages 75 to 85. A summary of key management remuneration is as follows:

	2016 £m	2015 £m
Short-term benefits	4.5	4.4
Post-employment benefits	–	0.1
Share-based payments	7.5	5.9
	12.0	10.4

No termination benefits were paid to key management personnel. Total gains on exercise of options by key management in the year amounted to £13.5m (2015: £0.9m).

7 Employees

Group

The average monthly number of persons (including Executive Directors) employed by the Group during the year was 4,526 (2015: 4,188).

	2016 £m	2015 £m
Staff costs (for the above persons):		
Wages and salaries	160.4	152.7
Social security costs	16.7	16.1
Pensions charge	4.5	5.9
Share-based payments	14.0	11.2
	195.6	185.9

The Group also uses the services of a substantial number of self employed labour only site operatives.

Company

The average monthly number of persons (including Executive Directors) employed by the Company during the year was 205 (2015: 183).

	2016 £m	2015 £m
Staff costs (for the above persons):		
Wages and salaries	14.1	13.7
Social security costs	1.7	1.6
Pensions charge	1.3	2.6
Share-based payments	14.0	11.2
	31.1	29.1

8 Net finance income

	2016 £m	2015 £m
Recognised in profit after tax		
Interest receivable on bank deposits	1.7	0.9
Imputed interest on available for sale financial assets	15.9	15.7
Net interest on pension asset	0.8	–
Other interest receivable	1.4	5.5
Finance income	19.8	22.1
Interest expense on bank overdrafts and loans	1.1	1.6
Imputed interest on deferred land payables	12.0	14.4
Interest on Partnership liability	2.4	2.6
Other interest expense	–	0.2
Finance costs	15.5	18.8
Net finance income	4.3	3.3

Notes to the financial statements
continued

9 Profit from operations

	2016 £m	2015 £m
Profit from operations is stated after charging/(crediting):		
Staff costs (note 7)	195.6	185.9
Profit on sale of land holdings	(5.1)	(5.9)
Government grants	(0.1)	(0.4)
Rent receivable	(1.4)	(1.7)
Loss on sale of property, plant and equipment	0.3	–
Loss on sale of assets held for sale	–	0.1
Depreciation of owned assets	8.0	7.1
Impairment of intangible assets	8.0	8.3
Operating lease charges	5.4	6.1

The Group did not receive Government grants in either year, however the Group's customers have benefited from the availability of finance through the Government's 'Help to Buy' scheme which has provided indirect assistance to the Group.

Amounts receivable by the auditor, Ernst & Young LLP, and their associates (2015: KPMG LLP, and their associates) in respect of:

	2016 £'000	2015 £'000
Audit fees		
Audit of the Parent Company and consolidated financial statements	145	119
Audit related assurance services	20	50
The audit of the Company's subsidiaries pursuant to legislation	45	50
Total fees for the audit of the Company and its subsidiaries	210	219
Non-audit fees		
Tax advisory services	–	–
Other services	–	20
Total non-audit fees	–	20
	210	239

The extent of non-audit fees and non-audit related service fees payable to Ernst & Young LLP and its affiliated entities are reviewed by the Audit Committee in the context of fees paid by the Group to its other advisors during the year. The Committee also reviews the nature and extent of non-audit services to ensure that independence is maintained.

Fees to major firms of accountants other than Ernst & Young LLP and its affiliated entities (2015: KPMG LLP and its affiliated entities) for non-audit services amounted to £78,046 (2015: £65,000).

10 Tax

10.1 Analysis of the tax charge for the year

	2016 £m	2015 £m
Tax charge comprises:		
UK corporation tax in respect of the current year	153.6	132.2
Adjustments in respect of prior years	(11.3)	(21.5)
	142.3	110.7
Deferred tax relating to origination and reversal of temporary differences	3.0	(2.1)
Adjustments recognised in the current year in respect of prior years deferred tax	4.2	(1.0)
	7.2	(3.1)
	149.5	107.6
The charge for the year can be reconciled to the accounting profit as follows:		
	2016 £m	2015 £m
Profit from continuing operations	774.8	629.5
Tax calculated at UK corporation tax rate of 20% (2015: 20.25%)	155.0	127.5
Accounting base cost not deductible for tax purposes	0.1	0.8
Goodwill impairment losses that are not deductible	1.6	1.7
Expenditure not allowable for tax purposes	0.1	0.2
Effect of change in rate of corporation tax	(0.2)	(0.1)
Adjustments in respect of prior years	(7.1)	(22.5)
Tax charge for the year recognised in profit or loss	149.5	107.6

The Group's overall effective tax rate of 19.3% has been reduced from the mainstream rate of 20% by a prior year tax credit arising from the removal of some uncertainties regarding the Group's prior year tax computations.

The applicable corporation tax rate has reduced from 20.25% in the prior year to 20% in line with corporation tax rates effective from 1 April 2015. In relation to the Group's deferred tax calculations, further corporation tax rate changes enacted on 18 November 2015 effective from 1 April 2017 (19%) and enacted on 15 September 2016 effective from 1 April 2020 (17%) have been used.

10.2 Deferred tax recognised in other comprehensive (expense)/income (note 22)

	2016 £m	2015 £m
Recognised on remeasurement (losses)/gains on pension schemes	(4.4)	1.1

10.3 Deferred tax recognised directly in equity (note 22)

	2016 £m	2015 £m
Arising on transactions with equity participants		
Relating to equity-settled transactions	0.7	(13.7)

Notes to the financial statements
continued

11 Dividends/Return of capital

	2016 £m	2015 £m
Amounts recognised as distributions to capital holders in the period:		
2015 return of capital to B shareholders of 95p per share	–	99.8
2015 dividend to C shareholders of 95p per share	–	191.3
2016 dividend to all shareholders of 110p per share	338.3	–
Total capital return	338.3	291.1

The Directors propose to return 25p of surplus capital to shareholders for each ordinary share in issue held at 6.00pm on 10 March 2017 with payment made on 31 March 2017. This is an additional payment of surplus capital over and above the previously announced Capital Return Plan schedule. In line with the previously announced schedule, the Directors propose to return a further 110p of surplus capital to shareholders for each ordinary share in issue held at 6.00pm on 16 June 2017 with payment made on 3 July 2017 being a total return of 135p per share (2016: 110p).

The Parent Company received £380.0m dividends from wholly owned subsidiary undertakings during 2016 (2015: £450.0m).

12 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, excluding those held in the employee benefit trusts (see note 23) and any treasury shares, all of which are treated as cancelled, which were 308.0m (2015: 306.4m).

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 317.5m (2015: 313.6m).

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

	2016	2015
Basic earnings per share	203.0p	170.3p
Underlying basic earnings per share	205.6p	173.0p
Diluted earnings per share	197.0p	166.4p
Underlying diluted earnings per share	199.5p	169.1p

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

	2016 £m	2015 £m
Underlying earnings attributable to shareholders	633.3	530.2
Goodwill impairment	(8.0)	(8.3)
Earnings attributable to shareholders	625.3	521.9

13 Intangible assets

Group	Goodwill £m	Brand £m	Know-how £m	Total £m
Cost				
At 1 January 2015, 1 January 2016 and 31 December 2016	408.8	60.0	1.9	470.7
Accumulated impairment losses/amortisation				
At 1 January 2015	238.9	–	1.9	240.8
Impairment losses for the year – utilisation of strategic land holdings	8.3	–	–	8.3
At 1 January 2016	247.2	–	1.9	249.1
Impairment losses for the year – utilisation of strategic land holdings	8.0	–	–	8.0
At 31 December 2016	255.2	–	1.9	257.1
Carrying amount				
At 31 December 2016	153.6	60.0	–	213.6
At 31 December 2015	161.6	60.0	–	221.6

Goodwill brought forward at the start of the year of £161.6m includes £132.9m (2015: £139.1m) which arose on acquisitions before the date of transition to IFRSs and is retained at the previous UK GAAP amounts, subject to being tested for impairment. £37.0m (2015: £37.0m) of this amount represented the brand value of Charles Church, acquired with Beazer Group plc in 2001.

Acquired brand values, including the brand value of Charles Church which is classified as goodwill as this was acquired before the date of transition to IFRSs, are calculated based on discounted cash flows and are tested annually for impairment. The remainder of goodwill is allocated to acquired strategic land holdings and is tested annually for impairment.

The recoverable amounts of the intangibles are determined from value in use calculations. Goodwill is allocated for impairment testing purposes down to a lower level than the Group's single operating segment, being to Charles Church and to the portfolios of strategic land holdings throughout the UK acquired with Beazer and Westbury. The key assumptions for value in use calculations are those regarding discount and growth rates. Growth rates incorporate volume, selling price and direct cost changes.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management and extrapolated for four years, to form the basis of the Group's five year business plan. When performing the impairment review of the brands, the relevant retraction/growth rates included therein vary between -4% to +1% (2015: -3% to +1%), reflecting the current state of the UK housing market.

The retraction/growth rates in relation to the impairment review of goodwill allocated to strategic land holdings vary between -3% to +2% (2015: -3% to +2%).

After this period the growth rates applied to calculate the cash flow forecasts vary between nil and 2% (2015: nil and 2%) reflecting management's estimate of the forecast recovery in the UK housing market, which do not exceed the long term average growth rates for the industry.

Management used pre-tax discount factors between 5% and 8% (2015: 5% and 9%) over the forecast periods.

Strategic report

Governance

Financial statements

Other information

Notes to the financial statements
continued

13 Intangible assets (continued)

The goodwill allocated to acquired strategic land holdings is further tested by reference to the proportion of legally completed plots in the period compared to the total plots which are expected to receive satisfactory planning permission in the remaining strategic land holdings, taking account of historic experience and market conditions. This review resulted in an underlying impairment of £8.0m (2015: £8.3m). This charge reflects ongoing consumption of the acquired strategic land holdings. The effect of testing goodwill for impairment in the manner set out is that the goodwill will be completely impaired once the final plot for which management expects to receive a satisfactory planning permission is sold.

On concluding the annual impairment testing, there remains £89.5m (2015: £95.8m) and £27.1m (2015: £28.8m) of Beazer and Westbury goodwill allocated to strategic land holdings and £37.0m (2015: £37.0m) allocated to the Charles Church brand. In addition, there is £60.0m (2015: £60.0m) of carrying value in relation to the Westbury brand.

No reasonable possible change in any of the assumptions noted above would lead to an impairment charge being required. However, in the event of deterioration in the UK housing market conditions, operating margins reducing, or appropriate discount rates increasing the possibility of impairment losses in the future remains.

Company	Trademarks £m
Cost	
At 1 January 2015, 1 January 2016 and 31 December 2016	5.0
Amortisation	
At 1 January 2015	2.7
Charge for the year	0.3
At 1 January 2016	3.0
Charge for the year	0.2
At 31 December 2016	3.2
Carrying amount	
At 31 December 2016	1.8
At 31 December 2015	2.0

14 Property, plant and equipment

Group	Land and buildings £m	Plant £m	Fixtures and fittings £m	Total £m
Cost				
At 1 January 2015	24.3	53.9	12.5	90.7
Additions	1.6	8.5	1.0	11.1
Disposals	(0.1)	(0.5)	(0.4)	(1.0)
At 1 January 2016	25.8	61.9	13.1	100.8
Additions	4.4	8.6	1.7	14.7
Disposals	(1.1)	(0.6)	(0.8)	(2.5)
At 31 December 2016	29.1	69.9	14.0	113.0
Accumulated depreciation				
At 1 January 2015	3.5	43.0	10.8	57.3
Charge for the year	0.5	5.9	0.7	7.1
Disposals	(0.1)	(0.5)	(0.4)	(1.0)
At 1 January 2016	3.9	48.4	11.1	63.4
Charge for the year	0.5	6.5	1.0	8.0
Disposals	(0.3)	(0.6)	(0.5)	(1.4)
At 31 December 2016	4.1	54.3	11.6	70.0
Carrying amount				
At 31 December 2016	25.0	15.6	2.4	43.0
At 31 December 2015	21.9	13.5	2.0	37.4

At 31 December 2016, the Group had £1.9m contractual commitments for the acquisition of property, plant and equipment (2015: £0.3m).

At 31 December 2016, the Group had no assets held for sale (2015: £nil).

Strategic report

Governance

Financial statements

Other information

Notes to the financial statements
continued

14 Property, plant and equipment (continued)

Company	Land and buildings £m	Computer equipment, fixtures and fittings £m	Total £m
Cost			
At 1 January 2015	1.9	2.9	4.8
Additions	–	0.4	0.4
Disposals	–	(0.4)	(0.4)
At 1 January 2016	1.9	2.9	4.8
Additions	–	0.9	0.9
Disposals	–	(0.2)	(0.2)
At 31 December 2016	1.9	3.6	5.5
Accumulated depreciation			
At 1 January 2015	0.4	2.4	2.8
Charge for the year	0.1	0.2	0.3
Disposals	–	(0.4)	(0.4)
At 1 January 2016	0.5	2.2	2.7
Charge for the year	–	0.4	0.4
Disposals	–	(0.2)	(0.2)
At 31 December 2016	0.5	2.4	2.9
Carrying amount			
At 31 December 2016	1.4	1.2	2.6
At 31 December 2015	1.4	0.7	2.1

15 Investments

15.1 Investments accounted for using the equity method

Group	Investments in joint ventures £m
Cost	
At 1 January 2015, 1 January 2016 and 31 December 2016	3.0

The Group's principal investments in joint ventures comprise:

	Share of ordinary allotted capital held by the Group	Accounting date
Balaia Golf Village Realizacoes Imobiliaria Turisticos S.A. – Portugal	50%	31 December
Balvil – Gestão de Empreendimentos Turísticos Lda – Portugal	50%	31 December
Empreendimentos Turísticos da Armacao Nova Lda – Portugal	50%	31 December

Investments in joint ventures are accounted for under the equity method of accounting. All principal joint ventures have a single external partner holding a 50% interest giving an equal interest in the trade and net assets of the joint ventures. There are no significant restrictions on these entities.

15 Investments (continued)

The Group's share of assets and liabilities of joint ventures is shown below:

	2016 £m	2015 £m
Non-current assets	0.5	0.4
Current assets	6.0	4.9
Current liabilities	(3.5)	(2.3)
Net assets of joint ventures	3.0	3.0

The Group's share of the income and expenses of joint ventures is as follows:

	2016 £m	2015 £m
Income	1.8	1.6
Expenses	(1.8)	(1.6)
Share of results of joint ventures	–	–

15.2 Investments in subsidiaries

Company	2016 £m	2015 £m
Cost		
At 1 January 2015, 31 December 2015 and 31 December 2016	3,540.7	3,540.7
Impairment		
At 1 January 2015, 31 December 2015 and 31 December 2016	335.0	335.0
Net book value		
At 31 December	3,205.7	3,205.7

The annual review of the carrying value of the investment in subsidiaries identified £nil impairment issues (2015: £nil impairment). Details of Group undertakings are set out in notes 31 and 32.

Strategic report

Governance

Financial statements

Other information

Notes to the financial statements
continued

16 Available for sale financial assets

Group	2016 £m	2015 £m
At 1 January	177.9	201.3
Additions	0.5	1.3
Settlements	(45.6)	(40.4)
Gains (Finance income)	15.9	15.7
At 31 December	148.7	177.9

There have been no gains/losses recognised in other comprehensive income other than those recognised through finance income in profit and loss. Of the gains recognised in finance income for the period £5.9m (2015: £7.3m) was unrealised.

Available for sale financial assets, also known as shared equity receivables, comprise loans, largely with a ten year term and variable repayment amounts, provided as part of sales transactions that are secured by way of a second legal charge on the related property. Loans are repayable at the borrowers option, on sale or transfer of the related property or other redemption of the first legal charge or at the end of the fixed term. The assets are recorded at fair value, being the estimated future amount receivable by the Group, discounted to present day values. The fair value of future anticipated cash receipts takes into account the Directors' view of future house price movements, the expected timing of receipts and the likelihood that a purchaser defaults on a repayment.

The Directors revisit the future anticipated cash receipts from the assets at the end of each financial reporting period. The difference between the anticipated future receipt and the initial fair value is credited over the estimated deferred term to finance income, with the financial asset increasing to its full expected cash settlement value on the anticipated receipt date. Credit risk, which the Directors currently consider to be largely mitigated through holding a second legal charge over the assets, is accounted for in determining fair values and appropriate discount factors are applied. The Directors review the financial assets for impairment at each balance sheet date. There were no indicators of impairment at 31 December 2016 (2015: £nil). The Directors expect an average maturity profile of between five and ten years from the balance sheet date.

Further disclosures relating to financial assets are set out in note 21.

17 Inventories

	2016 £m	2015 £m
Land	1,946.4	2,046.7
Work in progress	617.2	517.9
Part exchange properties	37.1	38.3
Showhouses	44.3	42.4
	2,645.0	2,645.3

The Directors consider all inventories to be essentially current in nature although the Group's operational cycle is such that a proportion of inventories will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised as this is subject to a number of issues, including consumer demand and planning permission delays.

The Group conducted a further review of the net realisable value of its land and work in progress portfolio during 2016. Our approach to this review has been consistent with that conducted at 31 December 2015. This review gave rise to a reversal of £7.7m (2015: £9.8m) of provision on inventories that were written down in a previous accounting period and an impairment of land and work in progress of £7.7m (2015: £9.8m). This reversal/charge arose due to forecast selling prices and development costs on individual sites being higher or lower than previously estimated by management as a result of changing conditions, and/or development plans. Net realisable provisions held against inventories at 31 December 2016 were £48.5m (2015: £62.9m).

The key judgements in estimating the future net realisable value of a site were the estimation of likely sales prices, house types and costs to complete the developments. Sales prices and costs to complete were estimated on a site by site basis based upon existing market conditions. If the UK housing market were to improve or deteriorate in the future then further adjustments to the carrying value of land and work in progress may be required. Following the 2016 review, £34.1m (2015: £54.4m) of inventories are valued at fair value less costs to sell rather than at historical cost.

17 Inventories (continued)

Land with a carrying value of £1,031.0m (2015: £1,024.3m) was used as security for land payables (note 20).

The value of inventories expensed in 2016 and included in cost of sales was £2,165.5m (2015: £2,062.5m).

18 Trade and other receivables

	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Non-current assets				
Other receivables	8.8	10.1	–	–
Current assets				
Trade receivables	49.3	57.7	–	0.1
Other receivables	50.8	26.9	43.7	17.7
Amounts owed by Group undertakings	–	–	1,231.5	1,008.7
Prepayments and accrued income	3.6	6.9	0.3	1.5
	103.7	91.5	1,275.5	1,028.0

Trade and other receivables are non-interest bearing, and the Group has no concentration of credit risk, with exposure spread over a large number of customers. The Directors consider that the carrying value of trade receivables approximates to their fair value.

	2016 £m	2015 £m
Ageing of overdue but not impaired receivables		
Less than 3 months	5.2	10.9
Over 3 months	3.1	3.9
	8.3	14.8

The carrying value of trade and other receivables are stated after the following allowance for doubtful receivables:

	2016 £m	2015 £m
Group		
At 1 January	2.8	2.9
Impairment losses charged	0.1	0.2
Impairment losses reversed	(0.8)	(0.3)
At 31 December	2.1	2.8

19 Borrowings

Detailed disclosure of the Group's usage of financial instruments is included in note 21. There are £nil borrowings at 31 December 2016 (2015: £nil).

The contractual repayment terms of facilities are as noted below.

	Currency	Nominal interest rate	Year of maturity	2016 £m	2015 £m
Bank overdrafts	GBP	Base +1%-3.25%	2017	56.0	53.0
Syndicated loan	GBP	LIBOR +0.9%	2019	300.0	300.0
Available facilities				356.0	353.0

Notes to the financial statements
continued

20 Trade and other payables

	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Non-current liabilities				
Land payables	276.1	325.0	–	–
Other payables	57.2	47.6	40.0	33.0
	333.3	372.6	40.0	33.0
	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Current liabilities				
Trade payables	222.1	209.8	1.3	0.5
Land payables	278.8	248.3	–	–
Deposits and on account contract receipts	47.5	57.7	–	–
Other payables	7.7	9.9	10.4	9.1
Accrued expenses	378.9	321.1	18.4	18.7
Amounts owed to Group undertakings	–	–	3,794.0	3,310.1
	935.0	846.8	3,824.1	3,338.4

Trade payables subject to payment terms were 15 days (2015: 16 days), based on the ratio of year end trade payables (excluding retentions and unagreed claims) to amounts invoiced during the year by trade creditors. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed terms. The Directors consider that the carrying amount of trade payables approximates to their fair value.

Land payables are reduced for imputed interest, which is charged to the statement of comprehensive income over the credit period of the purchase contract.

21 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Liquidity risk
- Capital risk
- Credit risk

This note presents basic information regarding the Group's exposure to these risks and the Group's objectives, strategy and processes for measuring and managing exposure to them. Unless otherwise stated references to Group should be considered to apply to the Company as well.

The Board has overall responsibility for risk management of the Group. The Board has established the Risk Committee which has the delegated task of overseeing the Board's responsibility with respect to risk and internal control. The Risk Committee reports to the Audit Committee on a regular basis.

The Risk Committee is supported in this task by the Group Risk management function. The Group Risk function performs an annual assessment of the risks faced by the Group. This assessment is used to drive a risk focused programme of work aimed to improve business processes and increase internal control effectiveness.

Market risk

Market risk represents the potential for changes in foreign exchange prices and interest rates to affect the Group's profit and the value of its financial instruments. It also incorporates the effect of the overall UK housing market on the Group. The Group's objective in market risk management is to minimise its exposures to fluctuations within such variables whilst optimising returns.

The Group has investments in a number of Portuguese joint ventures. These interests are not hedged. These investments are considered to be long term in nature. At 31 December 2016 the Group also holds €1.8m of cash related to committed plant purchases.

21 Financial risk management (continued)

The Group has no other significant currency exposures.

The following exchange rates applied during the year:

	2016		2015	
	Average rate	Year end spot rate	Average rate	Year end spot rate
Euro	1.22	1.17	1.38	1.36

The Group's exposure to foreign currency risk may be summarised as follows:

	2016 €m	2015 €m
Investments	3.2	3.9
Cash	1.8	–
Total	5.0	3.9

Sensitivity analysis

A rise/fall in the Euro/Sterling exchange rate of 10% would result in a £0.4m loss/gain in relation to investments (2015: £0.3m).

Interest rate risk

The Group currently holds no fixed interest borrowings. This reflects both the low borrowing requirements of the Group and the current low interest rates applicable to floating borrowings. The Group has no formal target for a ratio of fixed to floating funding. The responsibility for setting the level of fixed rate debt lies with the Board and is continually reviewed in the light of economic data provided by a variety of sources.

Sensitivity analysis

If in the year ended 31 December 2016 UK interest rates had been 0.25% higher/lower than the Group's pre-tax profit would have increased/decreased by £1.0m (2015: increased/decreased by £0.4m). The Group's post-tax profit would have increased/decreased by £0.8m (2015: increased/decreased by £0.3m).

These sensitivities have been prepared in respect of the direct impact of such an interest rate change on the net financing expense of financial instruments only, and do not attempt to estimate the indirect effect such a change may have on the wider economic environment such as house pricing, mortgage availability and exchange rates.

Housing market risk

The Group is fundamentally affected by the level of UK house prices. These in turn are affected by factors such as credit availability, employment levels, interest rates, consumer confidence and supply of land with planning.

Whilst it is not possible for the Group to fully mitigate such risks on a national macroeconomic basis the Group does continually monitor its geographical spread within the UK, seeking to balance its investment in areas offering the best immediate returns with a long term spread of its operations throughout the UK to minimise the risk of local microeconomic fluctuations. The Group has taken steps to control its speculative build, land acquisition activities and work in progress levels so as to manage the exposure of the Group to any further market disruption.

Sensitivity analysis

At 31 December 2016, if UK house prices had been 5% higher/lower, and all other variables were held constant, the Group's house price linked financial instruments, which are solely available for sale financial assets, would increase/decrease in value, excluding any effects of current or deferred tax, by £7.4m (2015: £8.9m).

Liquidity risk

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial obligations as they fall due. The Group's strategy in relation to managing liquidity risk is to ensure that the Group has sufficient liquid funds to meet all its potential liabilities as they fall due.

This is true not only of normal market conditions but also of negative projections against expected outcomes, so as to avoid any risk of incurring contractual penalties or damaging the Group's reputation, which would in turn reduce the Group's ability to borrow at optimal rates. Therefore the Group remains confident of its continued compliance with financial covenants under the syndicated loan even in the event of deterioration in market conditions.

Notes to the financial statements
continued

21 Financial risk management (continued)

The Group has entered into a number of deferred payment guarantees and performance bonds in the normal course of operations. The liabilities to which these guarantees relate are recognised and accounted for in accordance with our standard accounting policies.

Liquidity forecasts are produced on (i) a daily basis to ensure that utilisation of current facilities is optimised; (ii) a monthly basis to ensure that covenant compliance targets and medium term liquidity is maintained; and (iii) a long term projection basis for the purpose of identifying long term strategic funding requirements.

The Directors also continually assess the balance of capital and debt funding of the Group. They consider the security of capital funding against the potentially higher rates of return offered by debt financing in order to set an efficient but stable balance appropriate to the size of the Group.

The Group operates short term uncommitted overdraft facilities to meet day to day liquidity requirements. These facilities are cancellable on request from the bank; however the Group generally maintains low levels of borrowing on these in favour of more cost efficient facilities. These overdraft facilities are provided by five leading clearing banks to minimise exposure to any one lender.

The Group maintains a £300m revolving credit facility committed to March 2021. These committed facilities are sufficient to meet projected liquidity requirements to this date. Undrawn committed facilities at the reporting date amount to £300m (2015: £300m).

Cash deposits

The Group has a policy of ensuring cash deposits are made with the primary objective of security of principal. Accordingly deposits are made only with approved, respected, high credit rating financial institutions. Deposits are spread across such institutions to minimise exposure to any single entity and are made on a short term basis only to preserve liquidity.

Capital risk

The capital structure of the Group consists of net cash/debt (borrowings as detailed in note 19 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings as detailed in the statement of changes in shareholders' equity). The Group's objective in managing capital is primarily to ensure the continued ability of the Group to meet its liabilities as they fall due whilst also maintaining an appropriate balance of equity and borrowings and minimising costs of capital. Close control of deployment of capital is maintained by detailed management review procedures for authorisation of significant capital commitments, such as land acquisition, capital targets for local management and a system of internal interest recharges, ensuring capital cost impact is understood and considered by all management tiers.

Decisions regarding the balance of equity and borrowings, dividend policy and all major borrowing facilities are reserved for the Board. The Group is currently pursuing a strategy of capital return to shareholders, whilst at the same time building a stronger, larger business. Full details are available in the Strategic Report on pages 2 to 49.

The following are the contractual maturities of financial liabilities, including interest payments (not discounted). These have been calculated using LIBOR rates at the year end (where applicable):

Group	2016 Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
Trade and other payables	665.9	665.9	608.7	7.0	46.9	3.3
Land payables	554.9	559.7	281.5	130.9	122.2	25.1
Partnership liability	47.1	60.9	5.4	5.4	16.4	33.7
Financial liabilities	1,267.9	1,286.5	895.6	143.3	185.5	62.1

Group	2015 Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
Trade and other payables	588.4	588.6	540.9	4.6	40.4	2.7
Land payables	573.3	582.2	253.2	179.0	148.0	2.0
Partnership liability	50.0	66.3	5.4	5.4	16.3	39.2
Financial liabilities	1,211.7	1,237.1	799.5	189.0	204.7	43.9

21 Financial risk management (continued)

Company	2016 Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
Trade and other payables	3,864.1	3,864.1	3,824.1	1.6	38.4	–
Financial liabilities	3,864.1	3,864.1	3,824.1	1.6	38.4	–

It is noted that £3,794.0m (2015: £3,310.1m) of other payables refer to amounts owed to subsidiary undertakings. Whilst generally repayable upon demand, in practice it is unlikely there will be any required repayment in the short term.

Company	2015 Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
Trade and other payables	3,371.4	3,371.4	3,338.4	1.3	31.7	–
Financial liabilities	3,371.4	3,371.4	3,338.4	1.3	31.7	–

Credit risk

The nature of the UK housing industry and the legal framework surrounding it results in the Group having a low exposure to credit risk.

In all but a minority of cases the full cash receipt for each sale occurs on legal completion, which is also the point of revenue recognition under the Group's accounting policies.

In certain specific circumstances the Group has entered into shared equity arrangements (not applicable to the Company). The pressures of market conditions during recessionary periods necessitated an increase in this form of sales structure from 2008. In such cases the long term debt is secured upon the property concerned. There were no significant indicators of impairment on these assets at 31 December 2016. The Group does not recognise collateral rights as a separate asset, nor does it have rights to trade such collateral. Reductions in property values leads to an increase in the credit risk of the Group in respect of such sales. There was £0.7m requirement for a charge in relation to credit impairment in the year (2015: £0.5m).

The maximum total credit risk is as follows:

Group	2016 £m	2015 £m
Trade and other receivables	108.9	94.7
Available for sale financial assets	148.7	177.9
Cash and cash equivalents	913.0	570.4
	1,170.6	843.0
Company		
Loans and receivables (including intercompany balances)	1,275.2	1,026.5
Cash and cash equivalents	711.4	442.5
	1,986.6	1,469.0

The maximum credit exposure of the Group to overseas parties is under £0.1m (2015: under £0.1m) (Company: £nil (2015: £nil)). The Group's credit risk is widely distributed. The maximum credit risk should any single party (excepting financial institutions) fail to perform is £4.0m (2015: £3.9m) and is not yet due (Company: £664.2m (2015: £446.2m) being a subsidiary debtor). The Directors consider these financial assets to be of high quality and the credit risk is assessed as low. The maximum credit risk associated with a financial institution in respect of short term cash deposits is £220.5m (2015: £125.8m).

Notes to the financial statements
continued

21 Financial risk management (continued)

Fair value

The fair value of financial assets and liabilities is as follows:

Group	2016		2015	
	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m
Trade and other receivables	108.9	108.9	94.7	94.7
Available for sale financial assets	148.7	148.7	177.9	177.9
Cash and cash equivalents	913.0	913.0	570.4	570.4
Trade and other payables	(665.9)	(665.9)	(588.4)	(588.4)
Land payables	(554.9)	(554.9)	(573.3)	(573.3)
Partnership liability	(49.0)	(47.1)	(50.0)	(50.0)
	(99.2)	(97.3)	(368.7)	(368.7)

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

Company	2016		2015	
	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m
Trade and other receivables	1,275.2	1,275.2	1,026.5	1,026.5
Cash and cash equivalents	711.4	711.4	442.5	442.5
Trade and other payables	(3,864.1)	(3,864.1)	(3,371.4)	(3,371.4)
	(1,877.5)	(1,877.5)	(1,902.4)	(1,902.4)

Income and expense in relation to financial instruments is disclosed in note 8.

Financial assets and liabilities by category:

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
Available for sale financial assets	148.7	177.9	–	–
Trade and other receivables	108.9	94.7	1,275.2	1,026.5
Cash and cash equivalents	913.0	570.4	711.4	442.5
Financial liabilities at amortised cost	(1,267.9)	(1,211.7)	(3,864.1)	(3,371.4)
	(97.3)	(368.7)	(1,877.5)	(1,902.4)

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:

Group	2016 Level 3 £m	2015 Level 3 £m
Available for sale financial assets	148.7	177.9

21 Financial risk management (continued)

Available for sale financial assets

Available for sale financial assets represent shared equity 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 assets. As a result the Group has applied inputs based on current market conditions and the Group's historic experience of actual cash flows resulting from such arrangements. These inputs are by nature estimates and as such the fair value has been classified as level 3 under the fair value hierarchy laid out in IFRS 13: Fair Value Measurement.

Significant unobservable inputs into the fair value measurement calculation include regional house price movements based on the Group's actual experience of regional house pricing and management forecasts of future movements, weighted average duration of the loans from inception to settlement of ten years (2015: ten years) and discount rate 8% (2015: 8%) 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 available for sale financial assets are secured. Adjustments to this input, which might result from a change in the wider property market, would have a proportional impact upon the fair value of the asset. Furthermore, whilst not easily assessable in advance, the resulting change in security value may affect the credit risk associated with the counterparty, influencing fair value further.

Detail of the movements in available for sale financial assets in the period are disclosed in note 16.

22 Deferred tax

The following are the deferred tax assets and liabilities recognised by the Group and the movements thereon during the current and prior year:

	Note	Accelerated tax depreciation £m	Retirement benefit obligation £m	Share-based payment £m	Intangible assets £m	Imputed interest £m	Other temporary differences £m	Total £m
At 1 January 2015		1.3	0.1	21.3	(12.0)	2.7	(0.9)	12.5
Credit/(charge) to profit and loss	10.1	0.4	(2.2)	1.5	1.2	1.4	0.9	3.2
Charge to other comprehensive income	10.2	–	(1.1)	–	–	–	–	(1.1)
Amounts credited directly to equity	10.3	–	–	13.7	–	–	–	13.7
At 1 January 2016		1.7	(3.2)	36.5	(10.8)	4.1	–	28.3
(Charge)/credit to profit and loss	10.1	–	(5.2)	1.1	0.6	(4.1)	0.4	(7.2)
Credit to other comprehensive income	10.2	–	4.4	–	–	–	–	4.4
Amounts credited directly to equity	10.3	–	–	(0.7)	–	–	–	(0.7)
At 31 December 2016		1.7	(4.0)	36.9	(10.2)	–	0.4	24.8

As permitted by IAS 12 (Income Taxes), certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2016 £m	2015 £m
Share-based payments	36.9	36.5
Other items, including accelerated capital allowances	5.6	10.1
Deferred tax assets	42.5	46.6
Brands	(10.2)	(10.8)
Other items, including accelerated capital allowances	(7.5)	(7.5)
Deferred tax liabilities	(17.7)	(18.3)
Net deferred tax asset	24.8	28.3

The Group has recognised deferred tax liabilities of £4.0m (2015: liabilities of £3.2m) on retirement benefit assets of £23.3m (2015: assets of £18.0m).

Notes to the financial statements
continued

22 Deferred tax (continued)

The following are the deferred tax assets and liabilities recognised by the Company and the movements thereon during the current and prior year:

	Accelerated tax depreciation £m	Retirement benefit obligation £m	Share-based payment £m	Other temporary differences £m	Total £m
At 1 January 2015	0.1	0.1	21.3	4.5	26.0
Credit/(charge) to profit and loss	0.1	(2.2)	1.5	(1.4)	(2.0)
Charge to other comprehensive income	–	(1.1)	–	–	(1.1)
Amounts taken directly to equity	–	–	13.7	–	13.7
At 1 January 2016	0.2	(3.2)	36.5	3.1	36.6
(Charge)/credit to profit and loss	–	(5.2)	1.1	(0.3)	(4.4)
Credit to other comprehensive income	–	4.4	–	–	4.4
Amounts taken directly to equity	–	–	(0.7)	–	(0.7)
At 31 December 2016	0.2	(4.0)	36.9	2.8	35.9

No deferred tax assets and liabilities have been offset (2015: £nil).

23 Share capital

	2016 £m	2015 £m
Allotted, called up and fully paid		
308,498,409 (2015: 306,698,805) ordinary shares of 10p each	30.8	30.7

The Company has one class of ordinary shares which carry no right to fixed income. All issued shares are fully paid. During the year 1,799,604 ordinary shares (2015: 238,394) were issued to employees in satisfaction of share option exercises.

The Company has established Employee Benefit Trusts to hold shares for participants of the Company's various share schemes. The Trustee is Persimmon (Share Scheme Trustees) Limited, a subsidiary company. During 2016, the Trustee transferred 67,181 shares to employees. At 31 December 2016 the trust held 97,942 shares (2015: 95,123) on which dividends have been waived. The market value of these shares at 31 December 2016 was £1,739,450 (2015: £1,928,143).

Own shares

Own shares held at cost are reconciled as follows:

	Group £m
Balance at 31 December 2015	1.1
Own shares purchased	1.0
Disposed of on exercise/vesting to employees	(0.8)
Balance at 31 December 2016	1.3

24 Reconciliation of net cash flow to net cash and analysis of net cash

Group	2016 £m	2015 £m
Increase in net cash and cash equivalents in cash flow	342.6	192.0
Net cash at 1 January	570.4	378.4
Net cash at 31 December	913.0	570.4

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

25 Contingent liabilities

In the normal course of business the Group has given counter indemnities in respect of performance bonds and financial guarantees. Management estimate that the bonds and guarantees amount to £358m (2015: £315m), and confirm that the possibility of cash outflow is considered minimal and no provision is required.

Provision is made for the Directors' best estimate of all known legal claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed, or a sufficiently reliable estimate of the potential obligation cannot be made.

The Company has entered into guarantees of certain financial liabilities of related undertakings as detailed in note 30.

26 Operating leases

At 31 December total outstanding commitments for future minimum lease payments under non-cancellable operating leases were as follows:

Group as lessee	2016 £m	2015 £m
Expiring within one year	0.8	1.1
Expiring in the second to fifth years inclusive	6.3	5.0
Expiring after five years	7.5	8.0
	14.6	14.1
Company as lessee		
Expiring within one year	–	0.1
Expiring in the second to fifth years inclusive	0.6	0.3
	0.6	0.4

The Group receives sundry rental income under short term leases arising from its long term land holdings. There are no minimum lease receipts as no lease is held under a non-cancellable agreement.

Operating lease payments represent rentals payable by the Group for certain of its office properties and motor vehicles. Motor vehicles leases have an average term of 1.7 years to expiry (2015: 1.2 years). Property leases have an average term of 7.2 years to expiry (2015: 7.7 years).

Notes to the financial statements
continued

27 Retirement benefit assets

As at 31 December 2016 the Group operated four employee pension schemes, being two Group personal pension schemes and two defined benefit pension schemes. Remeasurement gains and losses in the defined benefit schemes are recognised in full as other comprehensive (expense)/income within the consolidated statement of comprehensive income. All other pension scheme costs are reported in profit or loss.

Group personal pension schemes

The Group makes contributions to the Group personal pension schemes which are open to employees who are not members of the defined benefit schemes. Dependent upon an employee's role and length of service the Group may make contributions to the schemes of up to a maximum of 9% of basic salary. The Group has no liability beyond these contributions. Group contributions to these schemes of £1.7m (2015: £1.6m) are expensed through the statement of comprehensive income as incurred.

Persimmon Plc Pension & Life Assurance Scheme

The Persimmon Plc Pension & Life Assurance Scheme (the 'Persimmon Scheme') is a defined benefit scheme which was closed to new members in 2001. Active members of the Persimmon Scheme accrue benefits on a career average related earnings basis. The assets of the Persimmon Scheme are held separately from those of the Group.

On 12 December 2012 Persimmon Plc made a one-off cash contribution of £57.8m to the Persimmon Scheme. The Persimmon Scheme used these funds to invest in Persimmon Scottish Limited Partnership, which has undertaken to provide fixed cash payments to the Persimmon Scheme to meet its liabilities over a 15 year period. See note 28 for further details.

Prowting Pension Scheme

The Group also operates the Prowting Pension Scheme (the 'Prowting Scheme'), a defined benefit scheme. Active members of the Prowting Scheme accrue benefits on a career average related earnings basis. The assets of the Prowting Scheme are held separately from those of the Group.

Role of Trustees

Both the Persimmon Scheme and the Prowting Scheme (jointly 'the Pension Schemes') are managed by Trustees who are legally separate from the Company. The Trustees are composed of representatives appointed by both the employer and employees. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible in particular for the asset investment policy plus the day to day administration of the benefits. They are also responsible for jointly agreeing with the employer the level of contributions due to the Pension Schemes (see below).

Funding requirements

UK legislation requires that pension schemes are funded prudently i.e. to a level in excess of the current expected cost of providing benefits. The last funding valuation of the Persimmon Scheme was carried out by a qualified actuary as at 1 January 2014 and as at 31 March 2015 for the Prowting Scheme. The next funding valuations will be as at 1 January 2017 for the Persimmon Scheme (which is in progress) and will be as at 31 March 2018 for the Prowting Scheme. Subsequent valuations will be at intervals of no more than three years thereafter. Following each valuation, the Trustees and the Company must agree the contributions required (if any) to ensure the Pension Schemes are fully funded over time on a suitable prudent measure. Contributions agreed in this manner constitute a minimum funding requirement.

Given the current strength of the Persimmon Scheme's funding (due to recent cash contributions made to the Persimmon Scheme) no deficit contributions are required for that scheme. However £2.2m p.a. is required for the Prowting Scheme payable to 31 December 2019. In both cases salary related contributions for active members are also payable.

Under the governing documentation of the Pension Schemes, any future surplus in either scheme would be returnable to the Group by refund, assuming gradual settlement of the liabilities over the lifetime of the schemes. As a result the Group does not consider there to be an asset ceiling in respect of the Pension Schemes.

The Group has determined that in accordance with the rules of the Pension Schemes the present value of refunds or reductions in future contributions is not lower than the balance of the fair value of funding obligations. As such no decrease in the defined benefit asset was necessary.

Both Pension Schemes are in a strong funding position. The Group remains committed to the continuity of this position and will review future contribution levels in the event of any significant deficit arising.

The schemes investment strategy is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the members as they fall due. The schemes do not invest directly in complex financial instruments, though there may be limited indirect investment through investment funds.

27 Retirement benefit assets (continued)

Regulation

The UK pensions market is regulated by The Pensions Regulator whose key statutory objectives in relation to UK defined benefit plans are:

- to protect the benefits of members
- to promote, and to improve understanding of good administration
- to reduce the risk of situations arising which may lead to compensation being payable from the Pension Protection Fund (PPF)

The Pensions Regulator has sweeping powers including the powers:

- to wind up a scheme where winding up is necessary to protect members' interests
- to appoint or remove a trustee
- to impose a schedule of company contributions or the calculation of the technical provisions where a trustee and company fail to agree on appropriate contributions
- to impose a contribution where there has been a detrimental action against a scheme

Risks associated with the Pension Schemes

The Pension Schemes expose the Group to a number of risks, the most significant of which are:

Risk	Description
Volatile asset returns	The defined benefit obligation (DBO) is calculated using a discount rate set with reference to corporate bond yields. If assets underperform this discount rate, this will create an element of deficit. The Pension Schemes hold a significant proportion (c. 50%) of assets in growth assets (such as equities) which, although expected to outperform corporate bonds in the long term, create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the Pension Schemes' long term objectives.
Changes in bond yields	A decrease in corporate bond yields will increase the value placed on the DBO for accounting purposes, although this will be partially offset by an increase in the value of the Pension Schemes' bond holdings.
Inflation risk	A significant proportion of the DBO is indexed in line with price inflation and higher inflation will lead to higher liabilities (although, in most cases, this is capped at an annual increase of 5%).
Life expectancy	The majority of the Pension Schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

There are a number of other risks of running the Pension Schemes including operational risks (such as paying out the wrong benefits), legislative risks (such as the Government increasing the burden on pension through new legislation) and other demographic risks, such as a higher proportion of members having a dependant eligible to receive a survivor's pension.

Net Pension Asset

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

	2016 £m	2015 £m
Fair value of Pension Scheme assets	605.6	512.0
Present value of funded obligations	(582.3)	(494.0)
Net pension asset	23.3	18.0

A deferred tax liability totalling £4.0m (2015: liability of £3.2m) has been recognised on the balance sheet in relation to the net pension asset.

Notes to the financial statements
continued

27 Retirement benefit assets (continued)

Movements in the net pension (liability)/asset on the balance sheet were as follows:

	2016 £m	2015 £m
As at 1 January	18.0	(0.5)
Total (loss)/gain recognised in the period	(25.7)	3.6
Company contributions paid in the period	31.0	14.9
Net pension asset	23.3	18.0

The Company does not present valuations of its own separate assets and liabilities under the Pension Schemes as the entire net assets of the Pension Schemes are included in the Company balance sheet, as ultimate scheme sponsor.

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

	2016 £m	2015 £m
Current service cost	2.4	3.0
Administrative expense	0.7	0.9
Pension cost recognised as operating expense	3.1	3.9
Interest cost	17.9	17.9
Return on assets recorded as interest	(18.7)	(17.9)
Pension cost recognised as net finance credit	(0.8)	–
Total defined benefit pension cost recognised in profit or loss	2.3	3.9
Remeasurement losses/(gains) recognised in other comprehensive (expense)/income	23.4	(7.5)
Total defined benefit scheme loss/(gain) recognised	25.7	(3.6)

Assets

The assets of the Pension Schemes have been calculated at fair value and are invested in the following asset classes:

	2016 £m	2015 £m
Equity		
– UK	120.3	99.1
– US	70.0	72.0
– Eurozone	33.7	44.8
– Other	23.8	33.6
Bonds		
– Government	118.0	92.6
– Investment Grade corporate bonds	20.0	18.0
– sub-investment grade	91.1	63.1
Asset backed funding	49.0	50.0
Diversified Growth Fund	56.3	32.8
Cash	23.4	6.0
Total	605.6	512.0

All assets have a quoted market value in an active market, with the exception of Asset backed funding of £49.0m (2015: £50.0m), which related to secured cash flows.

The Persimmon Scheme holds 93% (2015: 93%) of the gross assets of the Pension Schemes and 94% (2015: 94%) of the gross liabilities. The remainder relates to the Prowling Scheme. The Pension Schemes do not engage in investments in complex financial assets such as Insurance Contracts or Longevity Derivatives.

27 Retirement benefit assets (continued)

Changes in the fair value of scheme assets were as follows:

	2016 £m	2015 £m
As at 1 January	512.0	506.3
Return on assets recorded as interest	18.7	17.9
Remeasurement gains/(losses) on assets	61.2	(7.4)
Contributions	31.0	14.9
Benefits and expenses paid	(17.3)	(19.7)
As at 31 December	605.6	512.0

Defined Benefit Obligation

The liabilities of the Pension Schemes, at each balance sheet date, have been calculated on the following financial assumptions:

	2016 % p.a.	2015 % p.a.
Discount rate	2.8	3.7
General pay increases	3.2	3.0
RPI Inflation assumption	3.2	3.0
CPI Inflation assumption	2.1	1.9

Post retirement life expectancy for retirement aged members are as follows:

	2016 Years	2015 Years
Male current pensioner	22.8	23.1
Male future pensioner	24.0	24.3

The defined benefit obligation includes benefits for current employees, former employees and current pensioners.

The following table provides an analysis of the defined benefit obligation by membership category.

	2016 £m	2015 £m
Total value of current employees' benefits	81.1	65.5
Deferred members' benefits	226.9	182.2
Pensioner members' benefits	274.3	246.3
Total defined benefit obligation	582.3	494.0

The Pension Schemes' duration is an indicator of the weighted average time until benefit payments are made. For the Pension Schemes as a whole, the duration is around 18 years.

Changes in the defined benefit obligation were as follows:

	2016 £m	2015 £m
As at 1 January	(494.0)	(506.8)
Current service cost	(2.4)	(3.0)
Interest cost	(17.9)	(17.9)
Remeasurement (losses)/gains on liabilities	(84.6)	14.9
Benefits paid	16.6	18.8
As at 31 December	(582.3)	(494.0)

Notes to the financial statements
continued

27 Retirement benefit assets (continued)

Sensitivities

The key assumptions used for IAS 19 are: discount rate, inflation and mortality. If different assumptions were used, this could have a material effect on the results disclosed. The sensitivity of the results to these assumptions is as follows.

	2016 £m	2015 £m
Present value of defined benefit obligation (DBO)	582.3	494.0
– DBO following a 0.25% decrease in the discount rate	608.4	514.7
– DBO following a 0.25% increase in the discount rate	557.7	474.2
– DBO following a 0.25% decrease in the inflation assumption	568.3	484.2
– DBO following a 0.25% increase in the inflation assumption	596.9	505.4
– DBO following a 1 year decrease to life expectancy	561.4	478.6
– DBO following a 1 year increase to life expectancy	603.3	509.2

The sensitivity information shown above has been prepared using the same methodology as the calculation for the current DBO.

28 Partnership Liability to the Persimmon Plc Pension & Life Assurance Scheme

Persimmon Scottish Pension Trustees Limited, a wholly owned Group subsidiary, is general partner in Persimmon Scottish Limited Partnership ('the Partnership'). Persimmon Pension Trustees Limited, the Trustee of the Persimmon Plc Pension & Life Assurance Scheme ('the Persimmon Scheme') is a limited partner. As such the Partnership is included in the consolidated results of the Group. The Partnership has taken advantage of the exemptions in the Partnerships (Accounts) regulations 2008 not to file separate accounts on this basis.

The terms of the Persimmon Scheme's interest in the Partnership give the pension scheme obligatory rights to cash returns but insignificant operational control over the Partnership. As such the interest has been classified as a financial liability and is accounted for on an amortised cost basis.

Under IAS 19 the partnership interest of the Persimmon Scheme is included within the UK pension scheme assets. For further details see note 27.

The Partnership is the beneficial owner of a bond secured on a proportion of the Group's available for sale financial assets and guaranteed by Persimmon Plc, which will support the Partnership investment return to the Persimmon Scheme.

29 Share-based payments

The Group operates a number of share option schemes, the details of which are provided below. All schemes are equity settled.

The Savings-Related Share Option Scheme is an HMRC approved scheme open to all permanent employees. Options can normally be exercised three years after the date of grant.

Options have been issued to senior management (including the Executive Directors) under the Group's various executive share option schemes, which include awards under the Group's long term incentive plans. Future vesting of options is dependent upon return of cash to shareholders in line with the Capital Return Plan announced on 28 February 2012 for options granted in 2012 to 2016 under the Persimmon Plc 2012 Long Term Incentive Plan.

Options granted under the Persimmon Long Term Incentive Plan 2007 ('2007 LTIP') between September 2010 and September 2011 consisted of unapproved awards and HMRC approved awards where appropriate, with an exercise price equivalent to market value on the date of the award, plus a linked award. In the event that the market price of a share at the date of exercise of an approved option exceeds the option price, then the value of the linked award that vests is restricted to an amount capped at the cost of exercise of the approved option.

29 Share-based payments (continued)

Reconciliations of share options outstanding during each period, under each type of share scheme are as follows:

Group and Company	2016 Savings-Related Share Option Scheme		2015 Savings-Related Share Option Scheme	
	Number of shares under option	Weighted average exercise price (p)	Number of shares under option	Weighted average exercise price (p)
Outstanding at the beginning of the year	885,557	1,186.3	937,126	883.5
Granted during the year	398,261	1,413.0	265,025	1,667.0
Forfeited during the year	(170,597)	(1,385.4)	(115,735)	(980.1)
Exercised during the year	(159,129)	(786.5)	(200,859)	(526.8)
Outstanding at the end of the year	954,092	1,312.0	885,557	1,186.3
Exercisable at the end of the year	51,837	901.9	54,359	601.0

Group and Company	2016 Bonus Share Scheme		2015 Bonus Share Scheme	
	Number of shares under option		Number of shares under option	
Outstanding at the beginning of the year	85,250		74,128	
Granted during the year	57,937		59,885	
Exercised during the year	(67,181)		(48,763)	
Outstanding at the end of the year	76,006		85,250	
Exercisable at the end of the year	—		—	

Group and Company	2016 Long Term Incentive Plan 2007 Non HMRC Approved		2015 Long Term Incentive Plan 2007 Non HMRC Approved	
	Number of shares under option		Number of shares under option	
Outstanding at the beginning of the year	15,945		48,309	
Forfeited during the year	(5,182)		(15,583)	
Exercised during the year	(1,903)		(16,781)	
Outstanding at the end of the year	8,860		15,945	
Exercisable at the end of the year	8,860		15,945	

Group and Company	2016 Long Term Incentive Plan 2007 HMRC Approved		2015 Long Term Incentive Plan 2007 HMRC Approved	
	Number of shares under option	Weighted average exercise price (p)	Number of shares under option	Weighted average exercise price (p)
Outstanding at the beginning of the year	10,405	432.5	31,159	433.2
Exercised during the year	(7,085)	(423.4)	(20,754)	(433.6)
Outstanding at the end of the year	3,320	451.8	10,405	432.5
Exercisable at the end of the year	3,320	451.8	10,405	432.5

Strategic report

Governance

Financial statements

Other information

Notes to the financial statements
continued

29 Share-based payments (continued)

Group and Company	2016 Long Term Incentive Plan 2012*	2015 Long Term Incentive Plan 2012*
	Number of shares under option	Number of shares under option
Outstanding at the beginning of the year	26,066,279	25,166,974
Granted during the year	1,302,735	2,811,436
Forfeited during the year	(1,912,603)	(1,912,131)
Exercised during the year	(1,631,477)	–
Outstanding at the end of the year	23,824,934	26,066,279
Exercisable at the end of the year	1,081	1,163,190

* Under 2012 LTIP grants the option exercise price is variable dependent on share price at the date of award and the performance condition being return of cash to shareholders.

The weighted average share price at the date of exercise for share options exercised during the period was 1,977.4p (2015: 1,816.1p). The options outstanding at 31 December 2016 had a range of exercise prices from nil to 1,992.0p and a weighted average remaining contractual life of 4.9 years (2015: 5.9 years).

The inputs into the Black Scholes option pricing model for options that were granted in the year were as follows:

	LTIP 2012 Tranche 10	LTIP 2012 Tranche 11	SAYE 2016
Grant date	7 March 2016	21 September 2016	1 October 2016
Risk free interest rate*	0.45% – 0.68%	0.10% – 0.11%	0.27%
Exercise price*	£17.22 – £18.82	£14.96 – £16.56	£14.13
Share price at date of grant	£19.94	£17.81	£17.06
Expected dividend yield	6.66%	6.68%	6.68%
Expected life*	2 – 4 years	2 – 4 years	3 years
Date of vesting*	December 2017 – June 2019	December 2017 – June 2019	December 2019
Expected volatility	28%	28%	29%
Fair value of option*	£1.35 – £2.07	£1.21 – £1.73	£1.97

* Exercise price, expected life and date of vesting are all variable under the 2015 LTIP grants, dependent on performance of the key condition of dividend payment. The Group has calculated fair values applicable at each of the key assessment dates.

Expected volatility was determined by calculating the historic volatility of the Group's share price over various timescales.

The expected life used in the model has been adjusted, based on best estimates, to reflect exercise restrictions and behavioural considerations.

In 2016, the Group recognised total expenses before tax of £14.0m (2015: £11.2m) in relation to equity settled share-based payment transactions in the consolidated statement of comprehensive income. These option charges have been credited against the retained earnings reserve. As at 31 December 2016 the total credit recognised in relation to equity settled share-based payments was £39.4m (2015: £29.7m) of which £0.1m (2015: £0.1m) related to options currently vested awaiting exercise. All share-based payments are expensed by the Company.

30 Related party transactions

The Board and certain members of senior management are related parties within the definition of IAS 24 (Related Party Disclosures). Summary information of the transactions with key management personnel is provided in note 6. Detailed disclosure of the individual remuneration of Board members is included in the Remuneration Report on pages 75 to 85. There is no difference between transactions with key management personnel of the Company and the Group.

Nigel Greenaway, an Executive Director of the Company until 14 April 2016, exchanged contracts during 2014 to purchase a property from a subsidiary for a value of £925,000. This transaction was supported by independent valuations and was approved by the shareholders at the AGM held on 16 April 2014. The transaction completed on 28 June 2016.

The Company has entered into transactions with its subsidiary undertakings in respect of the following: internal funding loans and provision of Group services (including senior management, IT, accounting, marketing, purchasing, legal and conveyancing services). Recharges are made to subsidiary undertakings for Group loans, based on funding provided, at an interest rate linked to average Group borrowing costs. No recharges are made in respect of balances due to or from otherwise dormant subsidiaries. Recharges are made for Group services based on utilisation of those services.

During the year these recharges amounted to:

	2016 £m	2015 £m
Interest charges on intra-group funding	(6.5)	(1.8)
Group services recharges	46.9	43.4
	40.4	41.6

In addition to these services the Company acts as a buying agent for certain Group purchases, such as insurance. These are recharged at cost based on utilisation by the subsidiary undertaking.

The amount outstanding from subsidiary undertakings to the Company at 31 December 2016 totalled £1,231.5m (2015: £1,008.7m). Amounts owed to subsidiary undertakings by the Company at 31 December 2016 totalled £3,794.0m (2015: £3,310.1m).

The Company provides the Group's defined benefit pension schemes. Current employer contributions are charged to the operating businesses at cost. There is no contractual arrangement or stated policy relating to the net defined benefit cost. Experience and remeasurement gains and losses are recognised in the Company.

The Company guarantees a bond issued from Persimmon Shared Equity Limited to Persimmon Scottish Limited Partnership (both subsidiary undertakings). The fair value of the bond at 31 December 2016 is £49.0m (2015: £50.0m).

Certain subsidiary undertakings have entered into guarantees of external bank loans and overdrafts of the Company. The total value of such borrowings at 31 December 2016 was £nil (2015: £nil). The Company has entered into guarantees over bank loans and borrowings of the subsidiary undertakings. The total value of such borrowings at 31 December 2016 was £nil (2015: £nil).

The Company has suffered £nil expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2015: £nil).

31 Details of major Group undertakings

The Directors set out below information relating to the major subsidiary undertakings (those that principally affect the profits and assets of the Group) of Persimmon Plc at 31 December 2016. All of these companies are registered in England. All voting rights are held by companies within the Group. A full list of subsidiary undertakings and jointly controlled entities can be found in note 32.

Major subsidiary undertakings

Persimmon Homes Limited ^o	Charles Church Developments Limited ^Δ	
Persimmon Holdings Limited [*]	Persimmon Shared Equity Limited ^{**}	Persimmon Scottish Limited Partnership ^{***}

^o The shares of this company are held by Persimmon Holdings Limited and Persimmon Plc.

^Δ The shares of this company are held by Persimmon Holdings Limited.

^{*} The shares of this company are held by Persimmon Finance Limited and Persimmon Plc.

^{**} The shares of this company are held by Persimmon Plc.

^{***} This entity is controlled by Persimmon Scottish Pension Trustees Limited (see note 28).

Notes to the financial statements
continued

32 Details of all subsidiary undertakings

Persimmon Group subsidiary companies

The following companies, included in these consolidated accounts, are wholly owned by the Persimmon Group and are incorporated in the UK unless otherwise stated. Persimmon Plc or its subsidiary companies also hold all of the voting rights unless otherwise stated. The Registered Office for each company is Persimmon House, Fulford, York, YO19 4FE (unless otherwise stated).

Name of undertaking	Description of shares held
@Home Limited	Ordinary* and 3.5% Preference*
A.E.A Prowting Limited	Ordinary*
A Monk & Company Developments (S.W.) Limited	Ordinary* and Deferred*
Alford Brothers Limited	Ordinary*
Anjok 157 Limited	Ordinary*
Anjok 171 Limited ¹	Ordinary*
Anjok 172 Limited	Ordinary*
Anjok 173 Limited	Ordinary*
Anjok 269 Limited ¹	Ordinary* and Deferred*
Anjok 28 Limited	Ordinary* and 8% Preference*
Anjok 31 Limited	Ordinary*
Anjok Five (1996) Limited	Ordinary*
Anjok Holdings Limited	Ordinary* and Deferred*
Anjok Twenty Limited ¹	A Ordinary* and B Ordinary*
Anjok Two Limited	Ordinary*
Aria Homes Limited	A Ordinary* and B Ordinary*
Arthur S Nixon and Company	1% Non-Cumulative Preference* and Ordinary*
Aspect Homes Limited	Ordinary*
Atlantis One Limited	Ordinary* and Preference*
Beazer Group Limited	Ordinary*
Beazer Homes (Anglia) Limited	Deferred* and A Ordinary*
Beazer Homes (Barry) Limited	Ordinary*
Beazer Homes (FLE) Limited	A Ordinary* and B Ordinary*
Beazer Homes (FNLHS) Limited	Ordinary*
Beazer Homes (South Wales) Limited	Ordinary*
Beazer Homes (Wessex) Limited	Ordinary*
Beazer Homes and Property Limited	Ordinary*
Beazer Homes Bedford Limited	Deferred* and A Ordinary*
Beazer Homes Birmingham Central Limited	Deferred* and A Ordinary*

Name of undertaking	Description of shares held
Beazer Homes Bridgwater Limited	Deferred* and A Ordinary*
Beazer Homes Bristol Limited	Deferred* and A Ordinary*
Beazer Homes Cardiff Limited	Deferred* and A Ordinary*
Beazer Homes Doncaster Limited	Deferred* and A Ordinary*
Beazer Homes Edinburgh Limited ¹	Deferred* and A Ordinary*
Beazer Homes Glasgow Limited ¹	Deferred* and A Ordinary*
Beazer Homes Limited	Ordinary*, Deferred* and A Ordinary*
Beazer Homes Nottingham Limited	Ordinary*
Beazer Homes Reigate Limited	Ordinary*
Beazer Homes Stockport Limited	Deferred* and A Ordinary*
Beazer Homes Yateley Limited	Deferred* and A Ordinary*
Beazer London Limited	Ordinary*
Beazer Partnership Homes (Scotland) Limited ¹	Ordinary*
Beazer Partnership Homes Midlands Limited	Ordinary*
Beazer Swaffham Limited	Ordinary*
Beazer Urban Developments (Anglia) Limited	Deferred* and A Ordinary*
Beazer Urban Developments (Bedford) Limited	Ordinary*
Beazer Urban Developments (East Midlands) Limited	Ordinary*
Beazer Urban Developments (South West) Limited	Ordinary*
Beazer Western Engineering Services Limited	Ordinary*
Belsco 1020 Limited ¹	Ordinary*
Breakblock Limited	Ordinary*
Broomco (3385) Limited	Ordinary*
Bruce Fletcher (Leicester) Limited	Ordinary*
Charles Church Civil Engineering Limited	Ordinary*
Charles Church Developments Limited	Ordinary*
Charles Church Essex Limited	Ordinary*
Charles Church Estates Limited	Ordinary*

Name of undertaking	Description of shares held
Charles Church Holdings plc	A Convertible Ordinary*, B Ordinary*, B Redeemable Preference*, C Preference*, D Ordinary*, D Preference*, Deferred*, E Deferred*, E Ordinary* and Preference*.
Charles Church Housing Limited	Ordinary*
Charles Church Investment Properties Limited	Ordinary*
Charles Church Kent Limited	Ordinary*
Charles Church Limited	Ordinary*
Charles Church London Limited	Ordinary*
Charles Church Management Limited	Ordinary*
Charles Church Partnership Homes Limited	Ordinary*
Charles Church Residential Developments Limited	Ordinary*
Charles Church South East Limited	Ordinary*
Charles Church Southern Limited	Ordinary*
Charles Church Thames Valley Limited	Ordinary*
Charles Church Trading Limited	Ordinary*
Charles Church Village Heritage plc	Ordinary*
Coatglade Limited	Ordinary*
Comben Group Limited	A Deferred Ordinary, B Deferred Ordinary and Ordinary
Cresswellshaw Properties Limited	Ordinary* and 3.5% Preference*
Crowther Homes (Darlington) Limited	Ordinary*
Crowther Homes (Midland) Limited	Ordinary*
Crowther Homes (Nat W) Limited	Ordinary*
Crowther Homes (Yarm) Limited	Ordinary*
Crowther Homes Limited	Ordinary*
D Dunk (Builders) Limited	Ordinary*
D R Dunthorn & Son Limited	Deferred*, Deferred* and Ordinary*
Datblygwyr Dorothea Limited (94% of nominal value owned)	Ordinary*

32 Details of all subsidiary undertakings (continued)

Name of undertaking	Description of shares held	Name of undertaking	Description of shares held	Name of undertaking	Description of shares held
Delany Brothers (Housebuilders) Limited	Ordinary* and Preference*	Ideal Homes Central Limited	A Non Voting Ordinary* and B Ordinary*	Mapleleigh Limited	Ordinary*
Domus Group Limited	Deferred*, Deferred* and A Ordinary*	Ideal Homes Holdings Limited	Deferred and Ordinary	Marriott Homes Limited	Ordinary*
E.E. Reed & Co. (Builders) Limited	Ordinary*	Ideal Homes Limited	Ordinary*	Maunders Homes (East Anglia) Limited	Ordinary*
E F G H Limited	Ordinary*	Ideal Homes Midlands Limited	Ordinary*	Maunders Homes (Midlands) Limited	Ordinary*
E F G H Nominees Limited	Ordinary*	Ideal Homes North West Limited	Ordinary*	Maunders Homes (North West) Limited	Ordinary*
Emerson Park Limited	Ordinary*	Ideal Homes Northern Limited	Ordinary*	Maunders Homes (South) Limited	Ordinary*
F C Spear Limited	Ordinary*	Ideal Homes Scotland Limited	Ordinary*	Maunders Inner City Limited	Ordinary*
Ferry Quay Developments Limited	A Ordinary*, B Ordinary* and C Ordinary*	Ideal Homes Services Limited	Ordinary*	Maunders Urban Renewal Limited	Ordinary*
Frays Property Management (No.1) Limited	Ordinary*	Ideal Homes Southern Limited	Ordinary*	Mayclose Research Limited	Ordinary*
Frays Property Management (No.2) Limited	Ordinary*	J.W. Liptrot & Company Limited	Ordinary*	Melville Homes Limited	A Ordinary*, B Ordinary*, C Ordinary*, Deferred* and Cumulative Redeemable Preference*
Frays Property Management (No.6) Limited	Ordinary*	Jaboulet Limited	Ordinary*	Merewood (Kendal) Limited	Ordinary*
Friary Homes Limited	Ordinary*	John Maunders Group Limited	Ordinary*	Merewood Group Limited	Ordinary*
Galliford Developments Limited	Ordinary*	Kenton Contracting (Yorkshire) Limited	Ordinary*	Merewood Homes Limited	Ordinary*
Galliford Homes (London) Limited	A Ordinary* and B Ordinary*	Kenton Contractors (Yorkshire) Limited	Ordinary*	Merewood Investments Limited	Ordinary*
Galliford Homes Holdings Limited	A Ordinary*, B Ordinary* and Preference*	Kenton Homes (Builders) Limited	Ordinary*	Mightover Limited	Ordinary
Galliford Homes Limited	Ordinary*	Kenton Homes (Developments) Limited	Ordinary*	Milton Keynes Housing Group Limited	Ordinary*
Galliford Properties Southern Limited	Ordinary*	Kenton Homes (Estates) Limited	Ordinary*	Mitrebuild Limited	Ordinary* and Deferred Ordinary*
Galliford Southern Limited	Ordinary*	Knightsmoor Homes Limited	Ordinary*	Monk Homes Limited	Ordinary*
Geo. Wright & Co. (Contractors Wolverhampton) Limited	Deferred*, A Deferred* and A Ordinary*	Lady's Lane Property Co. Limited	Ordinary*	Monsell Youell Construction Limited	Ordinary*
Glamford Building Company Limited	Ordinary*	Lansdown Homes Limited	Ordinary*	Monsell Youell Limited	Deferred* and A Ordinary*
Gomersal Mills Limited	Deferred* and Ordinary*	Lazy Acre Investments Limited	Ordinary*	Montague Developments Limited	Ordinary*
Gosforth Business Park Management Company (No.2) Limited	Ordinary*	Leech Homes (Showhouses) Limited	Ordinary*, 0.1% Non-Cumulative Preference A* and 1% Non-Cumulative Preference B*	Mount Row Finance Limited	Ordinary*
Haven Retirement Homes Limited	Ordinary*	Leech Homes (Wales) Limited	Ordinary*	Mount Row Securities Limited	Ordinary*
Hazels Development Company Limited	A Ordinary* and B Ordinary*	Leech Homes (Yorkshire) Limited	Ordinary*	Pacemaker Developments Limited	Ordinary*
Hillreed Developments Limited	Ordinary*	Leech Homes Limited	Deferred* and A Ordinary*	Park House Developments (Petersfield) Limited	Ordinary*
Hillreed Holdings Limited	Ordinary*, Management Shares* and Cumulative Preference*	Leech Northumbria Limited	Ordinary*	Partnership Homes Limited	Ordinary*
Hillreed Homes Limited	Ordinary*	Leech Partnership Homes Limited	Ordinary*	Pennant Developments Limited	Ordinary* and 5% Non-Cumulative Preference*
Hillreed Properties Limited	Ordinary*	Leisurama Homes Limited	Ordinary*	Pentra Limited	Ordinary*
Ideal Developments Limited	Ordinary*	Linkway Properties Limited	Ordinary*	Perlease Limited	Ordinary*
Ideal Homes (UK) Limited	Ordinary*	Locking Castle Limited	A Ordinary*, B Ordinary* and C Ordinary*	Persimmon (City Developments) Limited	Ordinary*
Ideal Homes Anglia Limited	Ordinary*	Magnus Design Build Limited	Ordinary*	Persimmon (Eccleshall) Limited	Ordinary*
		Magnus Holdings Limited	A Ordinary*, B Ordinary*, C Ordinary*, Enduring Ordinary* and Cumulative Redeemable Preference*	Persimmon (Share Scheme Trustees) Limited	Ordinary
				Persimmon (SHL) Limited	Ordinary*

Strategic report

Governance

Financial statements

Other information

Notes to the financial statements
continued

32 Details of all subsidiary undertakings (continued)

Name of undertaking	Description of shares held
Persimmon (Strensall) Limited	Ordinary*
Persimmon Developments (No 1) Limited	Ordinary*
Persimmon Developments (No 2) Limited	Ordinary*
Persimmon Developments (Didcot) Limited	Ordinary*
Persimmon Developments (No 5) Limited	Ordinary*
Persimmon Developments (No 6) Limited	Ordinary*
Persimmon Developments (No 7) Limited	Ordinary*
Persimmon Finance (Jersey) Limited (Incorporated in Jersey) ⁸	Ordinary
Persimmon Finance (No 2) Limited	Ordinary
Persimmon Finance Limited	Ordinary
Persimmon Harts Limited	Ordinary
Persimmon GR (No 4) Limited	Ordinary*
Persimmon GR (No 5) Limited	Ordinary*
Persimmon GR (No 6) Limited	Ordinary*
Persimmon GR (No 7) Limited	Ordinary*
Persimmon GR (No 8) Limited	Ordinary*
Persimmon GR (No 9) Limited	Ordinary*
Persimmon GR (No 10) Limited	Ordinary*
Persimmon GR (No 11) Limited	Ordinary*
Persimmon Holdings Limited	Ordinary and A Ordinary*
Persimmon Homes (Anglia) Limited	Ordinary*
Persimmon Homes (Doncaster) Limited	Ordinary*
Persimmon Homes (East Midlands) Limited	Ordinary*
Persimmon Homes (East Scotland) Limited	Ordinary*
Persimmon Homes (East Yorkshire) Limited	Ordinary*
Persimmon Homes (Edmonstone) Limited	Ordinary
Persimmon Homes (Essex) Limited	Deferred* and A Ordinary*
Persimmon Homes (Lancashire) Limited	Ordinary*
Persimmon Homes (Mercia) Limited	Ordinary*
Persimmon Homes (Midlands) Limited	Ordinary*
Persimmon Homes (North East) Limited	Ordinary*
Persimmon Homes (North Midlands) Limited	Ordinary*
Persimmon Homes (North West) Limited	Ordinary*

Name of undertaking	Description of shares held
Persimmon Homes (Partnerships) Limited	Ordinary
Persimmon Homes (South Coast) Limited	Ordinary*
Persimmon Homes (South East) Limited	Ordinary*
Persimmon Homes (South Midlands) Limited	Deferred* and A Ordinary*
Persimmon Homes (South West) Limited	Ordinary*
Persimmon Homes (South Yorkshire) Limited	Ordinary*
Persimmon Homes (Teesside) Limited	Ordinary*
Persimmon Homes (Thames Valley) Limited	Ordinary*
Persimmon Homes (Wales) Limited	Ordinary*
Persimmon Homes (Wessex) Limited	Ordinary*
Persimmon Homes (West Midlands) Limited	Deferred* and A Ordinary*
Persimmon Homes (West Scotland) Limited	Ordinary*
Persimmon Homes (West Yorkshire) Limited	Ordinary*
Persimmon Homes (Woodley) Limited	Ordinary
Persimmon Homes (York) Limited	Ordinary
Persimmon Homes (Yorkshire) Limited	Deferred* and Ordinary*
Persimmon Homes Developments Limited	Ordinary
Persimmon Homes Limited	Ordinary*
Persimmon Partnerships (Scotland) Limited	Ordinary*
Persimmon Pension Trustees Limited	Ordinary
Persimmon Residential Limited	Ordinary*
Persimmon Scottish Limited Partnership**1	N/A
Persimmon Scottish Pension Trustees Limited ¹	Ordinary
Persimmon Shared Equity Limited	Ordinary
Persimmon Trustees Limited	Ordinary
Pinnacle Developments (Scotland) Limited ¹	Ordinary*
Practical Finance Co. Limited	Ordinary*
Prowting Homes Anglia Limited	B Ordinary*, C Ordinary* and D Ordinary*
Prowting Homes Central Limited	Ordinary*
Prowting Homes Chatsworth Limited	Ordinary*

Name of undertaking	Description of shares held
Prowting Homes Limited	Ordinary*
Prowting Homes Ludlow Limited	Ordinary*
Prowting Homes Midlands Limited	Ordinary*
Prowting Homes South East Limited	Ordinary*
Prowting Homes South West Limited	Ordinary*
Prowting Homes West Limited	Ordinary*
Prowting Homes Wolds Limited	Ordinary*
Prowting Limited	Ordinary*
Prowting Projects Limited	Ordinary*
Prowting Properties Limited	Ordinary*
Repac Homes Limited	Ordinary*
SLB Construction Management Limited	Ordinary*
Second City Homes Limited	Deferred* and A Ordinary*
Senator Homes Limited	Ordinary*
Sequoia Developments Limited	Ordinary*
Severnbrook Homes Limited	Ordinary*
Sherbourne Properties (Warwick) Limited	Ordinary*
Space4 Limited	Ordinary*
Springfir Estates Limited	Ordinary*
Springfir Holdings Limited	Ordinary*
Steelhaven (7) Limited	Ordinary* and 1% Non-Cumulative Redeemable Participating Preference*
Tamborough Developments Limited	Ordinary*
Tela Properties Limited	Ordinary*
The Charles Church Group Limited	A Ordinary*
The Charles Church Group Share Trustees Limited	Ordinary*
Townedge (Holdings) Limited	Ordinary*
Townedge Estates Limited	Ordinary*
Trent Park Regeneration Limited	A Ordinary* and B Ordinary*
Tryall Developments Limited	Ordinary*
Tudor Jenkins & Company Limited	Ordinary*
Walker Homes (Scotland) Limited ¹	Ordinary*
Wardour Limited (Incorporated in Gibraltar) ¹⁴	Ordinary*
Wenshaw Limited	Ordinary*
Wescott Holdings Limited	Ordinary*
Wescott Homes Limited	Ordinary*
Wescott Land Limited	Ordinary*
Westbury Direct Limited	Ordinary*

32 Details of all subsidiary undertakings (continued)

Name of undertaking	Description of shares held
Westbury Homes (Holdings) Limited	Irredeemable Preference*, Ordinary*, Deferred* and 9.25% Preference*
Westbury Homes (Midlands) Limited	Ordinary*
Westbury Homes (Oval) Limited	Ordinary*
Westbury Homes (Sevenside) Limited	Ordinary*
Westbury Homes (Somerset) Limited	Ordinary*
Westbury Homes (South West) Limited	Ordinary*
Westbury Homes (Stadium) Limited	Ordinary*
Westbury Homes (Venymore) Limited	A Ordinary* and B Ordinary*
Westbury Homes (Wales) Limited	Ordinary*
Westbury Homes (West Midlands) Limited	Ordinary*
Westbury Homes Limited	Ordinary*
Westbury Housing Investments Limited	Ordinary*
Westbury Limited	Ordinary
William Leech Builders (North West) Limited	Ordinary*
William Leech Limited	Ordinary* and 6.5% Cumulative Preference*

* Share class held by another Group company, but ultimately held by Persimmon Plc.

** A Scottish Limited Partnership.

Joint Arrangements

Name of undertaking	Description of shares held	Proportion of nominal value of share class held	Proportion of all share classes
Balaia Golf Village Realizacoes Imobiliaria Turisticos SA (Incorporated in Portugal) ¹⁵	Bearer Shares	50%	50%
Balvil – Gestao de Empreendimentos Turisticos Lda (Incorporated in Portugal) ¹⁵	Ordinary	50%	50%
Beechpath Limited	Ordinary	50%	50%
Bentwaters Housing Limited	Ordinary	50%	50%
Bentwaters Nominees Limited	Ordinary	50%	50%
Brentford Lock Limited	A Ordinary	100%	50%
Cramlington Developments Limited	A Ordinary	100%	50%
Empreendimentos Turisticos da Armacao Nova Lda (Incorporated in Portugal) ¹⁵	Ordinary	50%	50%
Genesis Estates (Manchester) Limited ⁴	Ordinary	50%	50%
Gosforth Business Park Management Company Limited	A Ordinary	100%	33.3%
Haydon Development Company Limited ³	Ordinary	20.5%	20.5%
Leebell Developments Limited	A Ordinary	100%	50%
Newcastle Great Park (Estates) Limited ⁷	A Ordinary	100%	50%
North Haven Developments (Sunderland) Limited	B Ordinary	100%	50%
North Swindon Development Company Limited ⁵	Ordinary	15%	15%
Oxfordshire Land Limited	Ordinary	33.3%	33.3%
Quedgeley Urban Village Limited ⁹	C Ordinary	100%	25%
Rothley Temple Estates Limited ⁸	Ordinary	28.5%	28.5%
SCI 53 Rue Joliot Curie (Incorporated in France) ¹²	Participation	42.5%	42.5%
SCI Le Domaine de Vaires (Incorporated in France) ¹³	Participation	47.5%	47.5%
SCI Les Jardins Parisiens (Incorporated in France) ¹¹	Participation	44%	44%
SF 3038 Limited ²	Ordinary	25%	25%
Sociedade Torre de Marinha Realizacoes Turisticas SA (Incorporated in Portugal) ¹⁵	Ordinary	50%	50%
The Greenlaw Development Company Limited ²	Ordinary	14.3%	14.3%
Trafalgar Metropolitan Homes Limited	A Ordinary	100%	50%
Triumphdeal Limited ¹⁰	Ordinary	50%	50%
Varandatur LDA (Incorporated in Portugal) ¹⁵	Ordinary	50%	50%
Wick 3 Nominees Limited	B Ordinary	100%	33.3%

1 180 Findochty Street, Garthamlock, Glasgow, G33 5EP

2 7th Floor, Aurora, 120 Bothwell Street, Glasgow, G2 7JS

3 Crest House, 39 Thames Street, Weybridge, Surrey, KT13 8JL

4 Europa Court, Sheffield Business Park, Sheffield, S9 1XE

5 6 Drakes Meadow, Penny Lane, Swindon, Wiltshire, SN3 3LL

6 44 Esplanade, St Helier, JE4 9WG, Jersey

7 3rd Floor Citygate, St. James' Boulevard, Newcastle upon Tyne, Tyne & Wear, NE1 4JE

8 137 Scalby Road, Scarborough, North Yorkshire, YO12 6TB

9 135 Aztec West, Bristol, BS12 4UB

10 St David's Court, Union Street, Wolverhampton, West Midlands, WV1 3JE

11 1 Rue de Petit Robinson, 78350, Jouy-en-Josas, France

12 84 Boulevard Vivier, Merle, 69003, Lyon, France

13 Immeuble Le Montaigne, 4 Allee des Ambalais, 94420, Le Plessis, Treviso, France

14 3 Bell Lane, Gibraltar

15 Av. Duque de Loulé 47-2, 1050-086, Lisbon, Portugal

Notes to the financial statements
continued

32 Details of all subsidiary undertakings (continued)

Residents Management Companies

The companies listed below are Residents Management Companies (RMCs) currently controlled by the Group. Control is exercised by the Group's power to appoint Directors and the Group's voting rights in these companies. All RMCs are companies limited by guarantee without share capital (unless otherwise stated) and incorporated in the UK.

The capital, reserves and profit or loss for the year has not been stated for these RMCs as beneficial interest in any assets or liabilities of these companies is held by the residents. These companies have not been included in the consolidated accounts, are temporary members of the Group and will be handed over to residents in due course.

The Registered Office of each RMC is Persimmon House, Fulford, York, YO19 4FE (unless otherwise stated).

Company Name
Abbey Green (Amesbury) Management Company Limited ²
Abbot's Field Management Limited ⁴
Abbotswood (Maidstone) Management Company Limited ¹
Ackton Pastures (Castleford) Management Company Limited
Acorn Place Management Limited ³
Agusta Park Yeovil Management Company Limited ⁵
Akron Gate Management Limited ⁴
Alt Y Celyn (Rhos) Management Company Limited
Amherst Hill (Brompton) Management Company Limited ¹
Archery Fields Management Company Limited ⁴
Arisdale (Phase 2) Residents Management Company Limited
Armstrong House (Farnborough) Residents Management Company Limited
Attlee Way (Sittingbourne) Residents Management Company Limited ¹
Aurora (Portishead) Management Company Limited
Aveley Village (Thurrock) Management Company Limited
Avery Fields (Birmingham) Management Company Limited
Aviation House (Farnborough) Residents Management Company Limited
Avon Fields (Durrington) Management Company Limited
Awel Y Coed Management Company Limited
Aykley Woods (Durham) Management Company Limited
Badbury Park (Swindon) Management Company Limited
Badbury Park (Swindon) No 2 Management Company Limited
Banister Court (Southampton) Management Company Limited
Bannerbrook Management Company Limited ¹⁷
Barley Fields (Alton) Management Company Limited
Beaumont Park (Blandford) Management Company Limited
Beckets Grove Management Company Limited

Company Name
Beckets Grove Phase 2 (Wymondham) Residents Management Company Limited
Beckford Road (Alderton) Management Company Limited ⁸
Belgrave Court (Cheltenham) Management Company Limited ²
Bell Lane (Little Chalfont) Management Company Limited
Bellaport Gardens (Harrington) Management Company Limited
Bishops Grove (Lamphey) Management Company Limited ²
Bishops Meade (Downton) Management Company Limited
Blenheim Park (Bracknell) Management Company Limited ¹
Blossom Meadows (Buttershaw) Management Company Limited
Bluebell Gardens (Morley) Management Company Limited
Bluebell Meadow (Bradwell) Management Company Limited
Bolham Rise (Retford) Management Company Limited
Booths Farm Residents Management Company Limited ⁴
Boulton Moor (Derby) Management Company Limited
Bracklenleigh (Carlisle) Management Company Limited
Braeburn Gardens (Bures) Management Company Limited
Bramblewood (Old Basing) Residents Management Company Limited
Brazen Plain (Norwich) Management Company Limited
Bridgefield (Ashford) Management Company Limited ¹
Bridgefield Nine Management Company Limited ¹
Brislington House Management Company Limited
Brook View (Blackburn) Management Company Limited
Brookfields (Iwade) Residents Management Company Limited ¹
Bugbrooke Management Company Limited
Bugbrooke Road (Kislingbury) Management Company Limited
Burfield Park (Witham St Hughs) Residents Management Company Limited
Burfield Valley Estate Management Limited ¹⁰
Canalside (Burton Upon Trent) Residential Management Company Limited
Canney Hill Management Company Limited
Cardea 3D Enterprise (Stanground) Residents Management Company Limited
Carleton Meadows Management Company Limited
Castle Green (Shotton) Management Company Limited
Castle Hill (Ebbsfleet) Residents Management Company Limited ¹
Castlemead (Persimmon 950) Town Trowbridge Limited
Castlemead (Persimmon 953) Management Company Limited
Castlemead (Persimmon 964) Town Trowbridge Limited
Castleton Court (Haverfordwest) Management Company Limited ²
Cathedral Gate (Salisbury) No.1 Management Company Limited
Cathedral Gate (Salisbury) No.2 Management Company Limited
Chancery Fields (Chorley) Management Company Limited

32 Details of all subsidiary undertakings (continued)

Company Name	Company Name
Cheltenham Road (Evesham) Management Company Limited ⁸	Eden Grange (Peterlee) Management Company Limited
Chilmark Glade Management Company Limited	Ellis Mews (Micheldever) Management Company Limited ¹
Church Lane (Deal) Residents Management Company Limited ¹	Elmwood Park Court (NGP) Management Company Limited
Church Meadows (Great Broughton) Management Company Limited	Emerald Gardens (Yapton) Management Company Limited
Clarence Place (Bracknell) Residents Management Company Limited ¹	Emersons Green Urban Village Limited ¹⁹
Cloatley Crescent Management Company Limited	Emily Fields (Swansea) Management Company Limited ²
Clos Ty Gwyn (Hendy) Management Company Limited	Emily Fields Apartments (Swansea) Management Company Limited ²
Clover Chase (Lingwood) Residents Management Company Limited	Eversfield (Uckfield) Management Company Limited ¹
Cloverfields (Carlisle) Management Company Limited	Fairmoor (Morpeth) Management Company Limited
Coastal Dunes (Lytham St Annes) Management Company Limited	Fairways (Retford) Management Company Limited
Coed Darcy (Llandarcy) Management Company Limited	Farley Fields South Petherton Management Company Limited ⁵
Colburn Walk (Catterick) Management Company Limited	Feethams Green (Darlington) Management Company Limited
College Fields (Bridgnorth) Management Company Limited ⁴	Fellowes Plain Estate Management Limited ⁶
Copperfield Truro Management Company Limited ⁵	Fleury House (Farnborough) Residents Management Company Limited ³
Copthorne Place (Epsom) Apartments Management Company Limited ¹	Foley Gardens (Newent) Residential Management Company Limited
Copthorne Place (Epsom) Estate Management Company Limited ¹	Folly Grove (Hockley) Residents Management Company Limited
Coquet Grange (Amble) Management Company Limited	Friarwood Park (Pontefract) Management Company Limited
Corelli Sherborne Management Company Limited ⁵	Furzefield Management Company Limited
Coton Park Consortium Limited ²⁰	Gales Park Management Company Limited
Cranborne Heights Management Company Limited	Garden Valley (Aylesham) Residents Management Company Limited ¹
Cromwell Place (Little Dunmow) Residents Management Company Limited	George Ward Gardens (Melksham) Management Company Limited
Crosland Road (Lindley) Management Limited	George Ward Gardens (Melksham) Management Company Limited
Cross Quays (Westwood) Management Company Limited ¹	Glan Yr Afon (Swansea) Management Company Limited
Cross Quays Phase 2 (Thanet) Residents Management Company Limited ¹	Goodyear Management Company No 2 Limited ⁴
Cumnor Hill Management Company Limited	Grays Court (Orpington) Residents Management Company Limited ¹
Curtiss House (Farnborough) Residents Management Company Limited	Great Western Park (Didcot) No 1 Management Company Limited
Cwrt Y Llwyfen (Johnstown) Management Company Limited	Great Western Park (Didcot) No 2 Management Company Limited
D'urton Heights (Preston) Management Company Limited	Great Western Park (Didcot) No 3 Management Company Limited
Daisy Hill (Morley) Management Company Limited	Green Pastures (Holton-le-Clay) Management Company Limited
Dan Y Bryn Management Company Limited	Greenacres (Diss) Management Company Limited
Deerwood Park (Colne) Management Company Limited	Greenfield Court (Newport) Limited ³
Dol Yr Ysgol (Bridgend) Management Company Limited	Grove Street (Raunds) Residents Management Company Limited
Douglas House (Farnborough) Residents Management Company Limited	Hailes Wood (Elsenham) Residents Management Company Limited
Dukes Meadow (Tangmere) Management Company Limited	Hambledon Mill (Accrington) Management Company Limited
Dyffryn Glas (Hawthorn) Management Company Limited ¹²	Hamilton Gate (Frinton) Residents Management Company Limited
Dyffryn Management Limited ³	Hampton Lucy Management Company Limited ⁸
Earlesmead (Framingham Earl) Residents Management Company Limited	Hampton Park (Littlehampton) Residents Management Company Limited ¹
East Benton Rise (Benton) Management Company Limited	Hampton Park (Stanway) Residents Management Company Limited
East Gate House (Machynys East) Management Company Limited ²	Hanbury Park (Uxbridge) Management Company Limited
Eastside Quarter, Maelfa (Cardiff) RMC Limited	Hansons Reach (Stewartby) Residents Management Company Limited

Notes to the financial statements
continued

32 Details of all subsidiary undertakings (continued)

Company Name	Company Name
Hanwell Chase (Banbury) Residents Management Company Limited	Kennedy Place (Ulverston) Management Company Limited
Harlow Fields (Mackworth) Residential Management Company Limited	Kings Grove Cranbrook Management Company Limited ⁵
Harrington Road (Desborough) Management Company Limited	Kingsbridge Court (Gorseinon) Management Company Limited ²
Hartcliffe Meadows (Peristone) Management Company Limited	Kingsbridge Fields Management Company Limited
Harvest Gate (Totton) Management Company Limited	Kingsbury Meadows (Wakefield) Management Company Limited
Hastings Place (Bentley) Management Company Limited	Kingsmead (Gloucester) Management Company Limited
Hatchwood Mill (Winnersh) Management Company Limited ¹	Kingston House (Edinburgh) Management Company Limited ¹⁵
Haven Village Management Limited*	Knights Court (Old Sarum) Management Company Limited
Haywood Heights (Writhlington) Management Company Limited	Knoll Lane (Ashford) Management Company Limited ¹
Heathpark Wood (Windlesham) Management Company Limited ¹	Ladgate Woods (Middlesbrough) Management Company Limited
Hellingly 415 Residents Management Company Limited ¹	Lauder Mews Crediton Management Company Limited ⁵
Hellingly 416 Management Company Limited ¹	Launds Field (Galgate) Management Company Limited
Hellingly 418 Management Company Limited ¹	Laureate Heights Sidmouth Management Company Limited ⁵
Hepburn Chase Management Company Limited	Laxton Gardens (Oundle) Residents Management Company Limited
Heritage Gardens (Bedfordshire) Management Company Limited	Life Squared Management Company Limited
Heritage Gate (Uantwit Major) Residents Management Company Limited	Lindale Park (Alverthorpe) Management Company Limited
Heritage Green (Newbottle) Management Company Limited ¹¹	Lingfield Meadows (Houghton) Management Company Limited
Heritage Park (Shinfield) Residents Management Company Limited ¹	Llys Meredith (Swansea) Management Company Limited
Heritage Park (Sutton Courtenay) Residents Management Company Limited	Longlease Management Company Limited
Herne Vale Ilminster Management Company Limited ⁵	Low Street (Sherburn In Elmet) Management Company Limited ¹¹
Highcliffe View (Guisborough) Management Company Limited	Lowen Bre Truro Management Company Limited ⁵
Hill Barton Vale Exeter Management Company Limited ⁵	Lyne Hill Penkridge Management Company Limited ⁴
Holdingham Grange (Sleaford) Residents Management Company Limited	Lythalls Lane (Coventry) Management Company Limited ⁸
Holmewood (Littleport) Management Company Limited	Lythalls Place (Coventry) Management Company Limited
Hornchurch Square (Farnborough) Residents Management Company Limited ³	Maes Dyfed Management Company Limited
Horsbere Mews (Longford) Management Company Limited ⁸	Maes Y Parc (Cross Hands) Management Company Limited
Horseshoe Meadows (Westbury) Management Company Limited	Maiden Vale (Ryhope) Management Company Limited
HRC (Ware) Residents Management Company Limited	Manor Farm (Doncaster) Management Company Limited
Hunters Gate (One) Management Company Limited	Manor Park (Appleby Magna) Management Company Limited
Hunts Pond Road (No 2) Management Company Limited	Manor Place (Maidenhead) Residents Management Company Limited
Hunts Pond Road Management Company Limited	Mariners Walk (Swansea) Apartment Management Company Limited*
Hydro (St Neots) Number One Management Company Limited	Mariners Walk (Swansea) Management Company Limited*
Ingleby (Barwick) Management Company Limited	Marshfoot Lane (Hailsham) Residents Management Company Limited ¹
Iwade Meadows (Iwade) Management Company Limited ¹	Martello Park (Pembroke) Management Company Limited ²
Iwade Meadows (Yalding Apartments Plots 74-79) Management Company Limited ¹	Mayfields (South Kirkby) Management Company Limited
Jasmine Gardens (Residential Management Company) Limited	Mayflower Gardens (Burbage) Residents Management Company Limited
Jasmine Gardens Management Company Limited ⁵	Meadow Croft (Hipperholme) Management Company Limited
Jennett's Park (H18/H19) – Phase 2 Management Company Limited ¹	Meadow Grove Management Limited ⁴
Jennett's Park (H18/H19) Management Company Limited ¹	Meadow Rise (Lydney) Management Limited ³
Kendall Heights Management Company Limited ¹	Meadow View (Oundle) Management Company Limited

32 Details of all subsidiary undertakings (continued)

Company Name	Company Name
Meadowbrook Gardens (Ossett) Management Company Limited	Oxley Park (Scissett) Management Company Limited
Medstead Farm (Four Marks) Management Company Limited	Oxley Springs (Milton Keynes) Management Company Limited
Merchants Walk Cullompton No 2 Management Company Limited ⁵	Oxley Springs 8B (Milton Keynes) Management Company Limited ¹⁶
Mere's Edge Management Limited	Paddocks 21 (Andover) Management Company Limited
Meudon House (Famborough) Residents Management Company Limited ³	Palmerston Heights Plymouth Management Company Limited ⁵
Middlebrook View Management Limited	Paragon Park (Coventry) Management Company Limited
Mill Valley (Pevensey) Residents Management Company Limited ¹	Parkside (Cosham) Management Company Limited
Mill View (Willingdon) Management Company Limited	Pavilion Gardens (Monkton Heathfield) Management Company Limited ⁵
Millers Croft (Edenbridge) Management Company Limited ¹	Pear Tree Gardens (Bamber Bridge) Management Company Limited
Moat House Fields (Marston Green) Management Limited	Peninsula (Machynys) Management Company Limited ²
Monarchs Chase (Fulwood) Management Company Limited	Penrose Place Sidmouth Management Company Limited ⁵
Monfort Place (Odiham) Management Company Limited ⁶	Persimmon Court Phase 6 (Leighton Buzzard) Management Company Limited
Montague Park (Residents) Management Company Limited ¹³	Persimmon Grange (Framlingham) Management Company Limited
Moorfield Way (Wilberfoss) Management Company Limited	Persimmon Heights (Worcester) Management Company Limited ⁸
Morewood Close (Sevenoaks) Management Company Limited ¹	Persimmon Homes The Oaks (Selly Oak) Management Company Limited ⁸
MPS Residents Management Company Limited ⁶	Phoenix Park (Dunstable) Residents Management Company Limited
Mulberry Grove (St Fagans Cardiff) Management Company Limited	Phoenix Place (North Hykeham) Management Company Limited
Neave Place (Romford) Management Company Limited	Picket 20 Management Company Limited
Neave Place Phase II (Romford) Management Company Limited	Pipstrelle Drive (Market Bosworth) Management Company Limited
New Road (Great Bridge) Management Limited	Poole Gardens (Nunthorpe) Management Company Limited
Newcastle Great Park (Estates) Limited* ¹⁸	Portland Park (Ashington) Management Company Limited
Newlands Park (Dearham) Management Company Limited	Potters Wynd (Durham) Management Company Limited
NGP Management Company (Cell E) Limited* ¹⁸	Promise House Management Limited ⁴
NGP Management Company (Cell F) Limited* ¹⁸	Quantum (Grays) Management Company Limited
NGP Management Company (Commercial) Limited* ¹⁸	Queensgate Farnborough Residents Management Company Limited ³
NGP Management Company (Town Centre) Limited* ¹⁸	Quinta Mews Management Company Limited ⁷
NGP Management Company Residential (Cell C) Limited* ¹⁸	Radstone Road (Brackley) Management Company Limited
NGP Management Company Residential (Cell G) Limited* ¹⁸	Rainton Meadows (Chilton Moor) Management Company Limited ¹¹
Nightingale Gardens (Colchester) Management Company Limited	Readers Retreat (Hay-on-Wye) Residents Management Company Limited
Nightingale Gardens (NR1 And NR3) Residents Management Company Limited	Regency Gardens (Wath) Management Company Limited
Oak Heights (Northiam) Residents Management Company Limited ¹	Regents Place (Chellaston) Management Company Limited
Oakland Gardens (Withorpe) Management Company Limited	Renaissance 2 (Cambridge) Management Company Limited
Oakley Grange and Eden Villas (Cheltenham) Management Company Limited ⁸	Repton Park (13B) Management Company Limited ¹
Oakwood Farm (Sevenoaks) Management Company Limited ¹	Repton Park (28) Management Company Limited ¹
Oakwood Meadows (Colchester) Residents Management Company Limited	Repton Park (30) Management Company Limited ¹
Oakwood Park (Wymondham) Residents Management Company Limited	Repton Park 18 (Ashford) Residents Management Company Limited ¹
Oast Court Farm (East Malling) Management Company Limited ⁹	Ringley Road (Horsham) Residents Management Company Limited ¹¹
Okemont Grove Okehampton Management Company Limited ⁵	Riverbourne Fields Management Company Limited
Old Road (Churwell) Management Company Limited	Rockford House Management Company Limited ⁴
Old School Drive (Wheatthampstead) Management Company Limited	Rooley Park (Bradford) Management Company Limited

Notes to the financial statements
continued

32 Details of all subsidiary undertakings (continued)

Company Name	Company Name
Roseberry Park (Pelton) Management Company Limited	Staynor Hall Phase 3J (Selby) Management Company Limited
Rowan Fields Management Company Limited ⁸	Strawberry Fields Penryn Management Company Limited ⁵
Saltram Meadow Plymouth Management Company Limited ⁵	Stream View Management Company Limited ⁷
Sandpipers (Minster) Residents Management Company Limited ¹	Sunningdale Park (Thornton) Management Company Limited
Saxon Gate (Chelmsford) Management Company Limited	Sycamore Rise (Thame) Residents Management Company Limited
Scaffold Road Melton Management Company Limited	Teasdale Place (Carlisle) Management Company Limited
Scholars Gate (Royston) Management Company Limited	The Acoms (Shirley) Management Company Limited ⁸
Scholars Green (Wigton) Management Company Limited	The Alders (Gilwern) Residents Management Company Limited
Scholars Mews (Newark) Phase 2 Residents Management Company Limited	The Beeches (Ellesmere Port) Management Limited
Scholars Walk (Melksham) Management Company Limited	The Boulevards (East Tilbury) Residents Management Company Limited
Scotts Place (Bromley) Residents Management Company Limited ¹	The Boulevards (Newport) Residents Management Company Limited
Seaside Lane (Easington) Management Company Limited	The Brambles (Market Deeping) Residents Management Company Limited
Seaview Apartments (Machynys) Management Company Limited	The Bridge (Dartford) 29 and 31A Residents Management Company Limited ¹
Sherborne Fields (Basingstoke) Management Company Limited ¹	The Carriages (Burscough) Management Company Limited
Sherborne Fields Apartments Ph3 (Basingstoke) Management Limited ¹	The Cascades (Virginia Water) Management Company Limited ¹
Sherborne Fields Apartments Ph6 (Basingstoke) Management Limited ¹	The Chestnuts (Wokingham) Management Company Limited ¹
Silver Hill (Preston) Management Company Limited	The Crescent FP Management Company Limited
Smallbrook Views (Warminster) Management Company Limited ²	The Crescent Medstead Management Company Limited ⁷
South Shields (Biddick Green) Management Company Limited	The Croft (Burgess Hill) Residents Management Company Limited ¹
South Shore Phase 2 (Blyth) Management Company Limited	The Crossings (Stafford) Management Limited
Sovereign Fields (Bracknell H16) Management Company Limited	The Drive (Harold Hill) Management Company Limited
Sovereign Grange (Kings Cliffe) Management Limited	The Edge (Billington Road) Management Company Limited ⁴
Speckled Wood (Carlisle) Management Company Limited	The Edge (Hempstead) Management Limited
St Andrews (Uxbridge) Management Company Limited ⁸	The Fairway (Scunthorpe) Management Company Limited ¹¹
St Andrews Park (Vine Lane 1A) Management Company Limited ⁸	The Fell (Lyde Green) Management Company Limited
St Andrews Park (Vine Lane 1B North) Management Company Limited ⁸	The Fir Trees (West Bromwich) Management Company Limited ⁴
St Andrews Park (Vine Lane 2A) Management Company Limited ⁸	The Goldings Newquay Management Company Limited ⁵
St Andrews Park 2B 3A (Churchill Road, Uxbridge) Management Company Limited ⁸	The Grange (Chepstow) Limited ³
St Andrews Park 3B (Uxbridge) Management Company Limited ⁸	The Grange (Swindon) Management Company Limited
St Andrews Ridge (Swindon) Management Company Limited	The Haven (Swansea) Management Company Limited
St Dunstons Place (Burbage) Management Company Limited	The Hedgerows (Thurcroft) Management Company Limited ¹⁴
St Edeyrs Village (Cardiff) Residents Management Company Limited	The Heights (Newark) Residents Management Company Limited
St George (Lancaster) Management Company Limited	The Laurels (Ipswich) Management Company Limited
St Gregorys (Swarcliffe) Management Company Limited	The Links (Machynys East) Management Company Limited ²
St James Park (Bramley) Management Company Limited ¹	The Links (Seascale) Management Company Limited
St Johns Wood (North Baddesley) Management Company Limited	The Maltings (Shaftesbury) Management Company Limited
St Oswalds Park (Gloucester) Management Company Limited ⁸	The Maltings (Shaftesbury) No 2 Management Company Limited
St Peters Place (Salisbury) Management Company Limited	The Maltings (Shaftesbury) No 3 Management Company Limited
St Stephens Pavilion Management Company Limited ⁸	The Middles (Stanley) Management Company Limited
Stanbridge Meadows (Petersfield) Management Company Limited	The Nightingales (Helpston) Residents Management Company Limited

32 Details of all subsidiary undertakings (continued)

Company Name	Company Name
The Orchard (Elsenham) Management Company Limited	Weavers View (Pleasley Hill) Residents Management Company Limited
The Orchard (Fenstanton) Residents Management Company Limited	Weavers Wharf Apartments (Coventry) Management Company Limited
The Orchard Brompton Farm (Strood) Residents Management Company Limited ¹	Wellington Gate (Maresfield) Management Company Limited ¹
The Pinnacles Management Company (Thamesmead) Limited ⁷	Wentworth Green Management Company Limited
The Pipins (Rugeley) Management Company Limited ⁴	West Gate House (Machynys East) Management Company Limited ²
The Poppies (Harleston) Management Company Limited	West Wick Management Company Limited* ¹⁹
The Poppies Management Company Limited ¹	Westbury Leigh (Westbury Leigh) Management Company Limited ²
The Priory (Llandough) Residents Management Company Limited	Westgate (Llanfoist) Management Company Limited
The Reeds Lower Halstow Management Company Limited ⁷	Westhaven Apartments (Barry) Residents Management Company Limited
The Vale (Easingwold) Management Company Limited	Weston Park Limited
The Village, Aveley Phase II Residents Management Company Limited	Wharf Road (Ellesmere) Management Company Limited ⁴
The Whinmoor (Leeds) Management Company Limited ¹⁴	Wheatfield Grange (Westerhope) Management Company Ltd
The Windmills (Kirtton) Residents Management Company Limited	Whiteford Mews Management Company Limited ²
Thomas Way (Braintree) Management Company Limited	Willow Court (West Ewell) Management Company Limited ¹
Thornley Woods (Gateshead) Management Company Limited	Willow Park (Aylsham) Management Company Limited
Trees (Billingshurst) Limited ⁷	Windmill View (Stanground) Residents Management Company Limited
Trevethan Meadows Liskeard Management Company Limited ⁶	Wombwell (Barnsley) Management Company Limited
Trinity Fields Management Company Limited ¹	Woodbridge House Management Company Limited
Tudor Park (Saffron Walden) Management Company Limited	Woodland Gardens (Pyle) Management Company Limited ²
Urban Central (Grays) Residents Management Company Limited	Yew Tree Farm (Droitwich) Management Company Limited ⁸
Urpeth Green (Ouston) Management Company Limited	Ysgol Maes Dyfan (Barry) Residents Management Company Limited
Valley Heights (Frome) Management Company Limited	
Village Mews (Southowram) Management Company Limited	
Walnut Tree Garden Management Company Limited ⁷	
Watercress Way Management Company Limited ⁷	
Waterfield Place (Market Harborough) Residential Management Company Limited	
Waters Edge (Buckshaw) Management Company Limited	
Waters Edge (Wimbome) Management Company Limited	
Waterside at The Bridge Management Company Limited ¹	
Weavers Meadow Estates Management Company Limited	

* Private company limited by shares.

1 94 Park Lane, Croydon, Surrey, CR0 1JB
2 Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
3 Marlborough House, Wigmore Place, Wigmore Lane, Luton, LU2 9EX
4 North Point, Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF
5 Pembroke House, Torquay Road, Paignton, Devon, TQ3 2EZ
6 RMG House, Essex Road, Hoddesdon, Hertfordshire, EN11 0DR
7 Scholars House, 60 College Road, Maidstone, Kent, ME15 6SJ
8 Whittington Hall, Whittington Road, Worcester, WR5 2ZX
9 1 Sherman Road, Bromley, Kent, BR1 3JH
10 13b High Street, Hailsham, BN27 1AL

11 4335 Park Approach, Thorpe Park, Leeds, LS15 8GB
12 46 Whitchurch Road, Cardiff, CF14 3LX
13 Folio House, 65 Whytecliffe Road South, Purley, Surrey, CR8 2AZ
14 Gateway House, 10 Coopers Way, Southend On Sea, Essex, SS2 5TE
15 Persimmon Homes East Scotland, Old Well Court, Wester Inch Business Park, Bathgate, West Lothian, EH48 2TQ
16 Persimmon Homes, 3 Waterside Way, Bedford Road, Northampton, NN4 7XD
17 Persimmon House, Birmingham Road, Studley, Warwickshire, B80 7BG
18 3rd Floor Citygate, St. James' Boulevard, Newcastle Upon Tyne, Tyne And Wear, NE1 4JE
19 135 Aztec West, Bristol, BS32 4UB
20 Temple House, 20 Holywell Row, London, EC2A 4XH

SHAREHOLDER INFORMATION

Analysis of shareholding at 31 December 2016

Size of shareholding	Number of shareholders	% of shareholders	Number of shares	% of shares
1 – 5,000	8,894	88.69	5,898,501	1.91
5,001 – 50,000	708	7.06	11,810,960	3.83
50,001 – 250,000	241	2.40	28,273,820	9.16
250,001 and over	185	1.85	262,515,128	85.10
Total	10,028	100.00	308,498,409	100.00

Share price – year ended 31 December 2016

Price at 31 December 2016	£17.76
Lowest for year	£12.89
Highest for year	£22.19

The above share prices are the closing share prices as derived from the London Stock Exchange Daily Official List.

Financial Calendar 2017

Ex-Dividend Date of 25p dividend	9 March 2017
Record Date of 25p dividend	10 March 2017
Payment of dividend of 25p	31 March 2017
Annual General Meeting	27 April 2017
Trading Update	27 April 2017
Ex-Dividend Date of 110p dividend	15 June 2017
Record Date of 110p dividend	16 June 2017
Payment of dividend of 110p	3 July 2017
Trading Update	5 July 2017
Announcement of Half Year Results	22 August 2017
Trading Update	8 November 2017

Five Year Record

	2016	2015	2014	2013	2012
Unit sales	15,171	14,572	13,509	11,528	9,903
Revenue	£3,136.8m	£2,901.7m	£2,573.9m	£2,085.9m	£1,721.4m
Average selling price	£206,765	£199,127	£190,533	£180,941	£173,823
Profit from operations*	£778.5m	£634.5m	£473.3m	£333.1m	£222.5m
Profit before tax*	£782.8m	£637.8m	£475.0m	£329.6m	£221.5m
Basic earnings per share*	205.6p	173.0p	124.5p	83.3p	56.7p
Diluted earnings per share*	199.5p	169.1p	124.3p	82.8p	56.2p
Cash return/dividend per share	135.0p	110.0p	95.0p	70.0p	75.0p
Net assets per share	887.3p	800.7p	715.4p	671.4p	658.2p
Total shareholders' equity	£2,737.4m	£2,455.8m	£2,192.6m	£2,045.5m	£1,993.7m
Return on capital employed*	39.4%	32.1%	24.6%	17.6%	12.2%

All figures stated before exceptional items, goodwill amortisation/impairment where applicable.

* 2012 restated for the effect of IAS 19 Employee Benefits (revised).

Directors

Nicholas Wrigley
Chairman

Jeff Fairburn
Group Chief Executive

Dave Jenkinson
Group Managing Director

Mike Killoran
Group Finance Director

Jonathan Davie
Senior Independent Director

Marion Sears
Non-Executive Director

Rachel Kentleton
Non-Executive Director

Nigel Mills
Non-Executive Director

Life President

Duncan Davidson founded Persimmon in 1972. The Company floated on the London Stock Exchange in 1985 and became the first pure housebuilder to enter the FTSE 100 in December 2005. Mr Davidson retired as Chairman in April 2006 and assumed the role of Life President.

Company information

Company Secretary
Tracy Davison

Registered office
Persimmon House
Fulford, York YO19 4FE
Telephone (01904) 642199

Company number
1818486
Incorporated in England

Auditor
Ernst & Young LLP

Bankers
The Royal Bank of Scotland plc
Lloyds Banking Group plc
Barclays Bank PLC
HSBC plc
Santander UK plc

Financial advisors/brokers
Merrill Lynch International

Brokers
Citigroup Global Markets Limited

Financial PR Consultants
Citigate Dewe Rogerson
3 London Wall Buildings
London Wall
EC2M 5SY
Telephone (020) 7638 9571

Registrars
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone 0370 7030178
www.investorcentre.co.uk

Logo removed

Persimmon Plc

Persimmon House

Fulford

York YO19 4FE

Telephone 01904 642199

Email feedback@persimmonhomes.com

www.corporate.persimmonhomes.com