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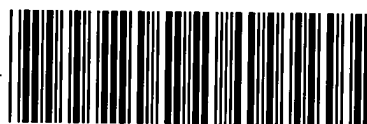
# Disciplined growth and value creation

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Annual Report 2017

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#148

COMPANIES HOUSE

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## STRATEGIC HIGHLIGHTS

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### Strengthening our offsite manufacturing capabilities

Our Brickworks in Harworth commenced production of concrete bricks in November 2017.

**For more information**  
See page 13

Image removed

### Building homes to meet market demand

Staff at our new Mansfield office, one of six new offices opened in the last three years.

**For more information**  
See page 13

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### Capital Return Plan

Increased to £13.00 per share, an increase of 110% over the original commitment.

**For more information**  
See page 14

**For more information visit:**  
[www.persimmonhomes.com/corporate](http://www.persimmonhomes.com/corporate)

**For more information within this report**

**FINANCIAL HIGHLIGHTS****Revenue** +9%**£3.42bn**

2016: £3.14bn

**Free cash generation<sup>1</sup>** +18%**£806.3m**

2016: £684.3m

**Operating margin<sup>2</sup>** +14%**28.2%**

2016: 24.8%

**Profit before tax<sup>2</sup>** +25%**£977.1m**

2016: £782.8m

**Dividend** +74%**235p**

2016: 135p

**Net assets per share** +17%**1036.6p**

2016: 887.3p

<sup>1</sup> Free cash generation is defined as net cash flow before financing activities.<sup>2</sup> Stated before goodwill impairment of £11.0m (2016: £8.0m).**Key performance indicators**  
See pages 16 and 17

We are one of the UK's leading housebuilders, constructing a range of homes to help meet the UK's housing need in attractive locations across England, Scotland and Wales. We concentrate on the basics of good housebuilding, investing in high quality land and constructing good quality homes.

Our drive for continual operational improvement, attention to detail and financial discipline results in the Group having excellent margins and profitability, together with a very strong balance sheet.

This generates superior returns for our shareholders.

## ACTING CHAIRMAN'S STATEMENT

# Disciplined growth and value creation

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“

Persimmon remains focused on executing its long term strategic plan, resulting in high quality growth and superior value creation.”

**Nigel Mills**  
Senior Independent Director  
and Acting Chairman

## Results

The Group's performance for 2017 has been excellent, with revenues increasing by 9% to £3,422.3m (2016: £3,136.8m) and profit before tax increasing by 25% to £966.1m (2016: £774.8m). Persimmon delivered 16,043 new homes to customers across the UK, an increase of 872 new homes compared with last year. The Group's average selling price of £213,321 was 3.2% higher (2016: £206,765).

Persimmon remains focused on executing its long term strategic plan, resulting in high quality growth and superior value creation. Delivering this growth is dependent on securing the necessary implementable detailed planning consents for land in attractive locations as efficiently as possible, progressing development construction activity promptly and achieving rates of new home construction to meet market demand. The team is seeking to expand the Group's output further to deliver the new housing needed by local communities across the UK. To support this growth we opened our sixth new operating business in three years on 2 January 2018, the new team being based near Ipswich in Suffolk, which takes the total number of Group house building businesses to 30. A disciplined

focus on the Group's strategic priorities has ensured our operational performance. Since the launch of the new strategy in 2012 Persimmon has made a significant contribution to increasing housing supply across the UK by investing £3.18bn in land, opening 1,189 new sales outlets, and delivering 80,726 new homes to the market by increasing annual production by over 70%.

We are particularly pleased to report that the Group's underlying gross margins increased by 350 basis points to 31.3% during 2017 (2016: 27.8%), in line with the trend reported at the half year. Persimmon opened 197 new sales outlets in 2017 providing further support to the Group's keen level of land cost recoveries from the new home sales legally completed from these sites. Strong control over our development costs supported this gross margin improvement.

The Group's growth towards optimal scale in each of its local markets underscores our operational efficiency, our underlying operating margin\* of 28.2% being 340 basis points higher than the prior year (2016: 24.8%). Underlying operating profit\* of £966.1m was 24% ahead of last year (2016: £778.5m). The further increase of 120 basis points in operating margin\*

in the second half of the year to 28.8% (H1 2017: 27.6%) was supported by an increase of 455 homes sold in the second half to 8,249 homes (H1 2017: 7,794).

Underlying profit before tax\* increased by 25% to £977.1m (2016: £782.8m) and underlying basic earnings per share\* of 258.6 pence was 26% higher than last year's 205.6 pence.

Due to the Group's strong trading performance and capital discipline, 285 pence per share of total shareholder equity value before capital returns was delivered in 2017, an increase of 41% over the prior year (2016: 202 pence per share). In line with our strategic priorities which seek to maximise cash efficiency and capital discipline through the cycle, the Group's liquidity remains excellent. We generated £806m of free cash before capital returns during the year (2016: £681m) whilst also acquiring 17,301 plots of new land across 84 high quality locations. Our strategic land portfolio contributed 8,296 plots in 28 locations to this total. The Group invested £602m in land during the year.

The Group held £1,302.7m of cash at the end of the year (2016: £913.0m). Return on average capital employed\*\* was 51.5% for 2017, an improvement of 31% over the previous year (2016: 39.4%).

## OPERATIONAL HIGHLIGHTS

Homes sold +6%

**16,043**

2016: 15,171

Average site numbers -3%

**370**

2016: 380

Forward sales<sup>1</sup> +8%**£2,034.1m**

2017: £1,892.0m

## Long term strategy and Capital Return Plan

At the start of 2012 Persimmon launched a new strategy 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. Retaining flexibility for appropriate reinvestment in the business whilst minimising financial risk remain key priorities of our strategy. Where the planning system allows, the Group remains committed to increasing output in each of our regional markets to meet market demand. Our disciplined approach to investing in land and work in progress optimises trading efficiencies and land replacement activity supporting each of our 30 house building businesses to reach optimal scale.

With strong operational execution, our strategy recognises the potential for the Group to generate surplus capital. 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 performance and financial position of the Group, having completed its annual review of the availability of surplus capital, the Board is pleased to announce a further increase in the Capital Return Plan. Whilst the regular annual instalments under the Plan will be maintained at 110 pence per share, the Company intends to make additional capital return payments of 125 pence per share, each year for the next three years ending in 2020 with the intention of returning the Group's cash holdings to more appropriate levels. These additional payments will be paid as an interim dividend in late March/early April each year. The annual payments of 110 pence per share will remain to be paid in early July each year as a final dividend, and subject each year to shareholder approval.

## Capital Return Plan

**£1.5bn**

returned to date or

**£4.85**

per share

<sup>1</sup> As at 26 February 2018 (2017 figure as at 24 February 2017).

\* stated before goodwill impairment of £11.0m (2016: £8.0m).

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

## ACTING CHAIRMAN'S STATEMENT

continued

### OPERATIONAL HIGHLIGHTS

Average selling price +3%

**£213,321**

2016: £206,765

Landbank (plots) +1%

**98,445**

2016: 97,187

The first additional payment of surplus capital of 125 pence per share will be paid on 29 March 2018 to shareholders on the register on 9 March 2018, as an interim dividend in respect of the financial year ended 31 December 2017. In addition, the Board is pleased to recommend to shareholders that the annual payment of 110 pence per share will be made on 2 July 2018 as a final dividend with respect to the financial year ended 31 December 2017, to shareholders on the register on 15 June 2018. The total value of the Capital Return Plan has therefore increased to £13.00 per share to 2021, more than double the £6.20 per share original commitment made by the Board in 2012.

The value of any 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 land bank, the housing market cycle and land market conditions, and wider-ranging risks and external conditions.

#### The 2012 LTIP

As the Chairman of the Remuneration Committee discusses in more detail in the Remuneration Report, the strong business performance has recently been overshadowed by criticism of the 2012 LTIP. This plan, which was approved by 84.9% of shareholders voting at EGM in 2012, provides rewards for 133 participants in two tranches. The first of these (40% of the total) vested on 31 December 2017. The second and final tranche (60% of the total) will vest upon payment of the proposed final dividend on 2 July 2018.

The Board believes that the 2012 LTIP has been a significant factor in the Company's outstanding performance. In particular, it has contributed to industry-leading levels of margin, return on assets and cash generation. Nonetheless, it is clear that the absence of a cap, in recognition of which the Chairman and former Remuneration Committee Chair offered their resignations, has given rise to the potential for pay-outs which, when triggered in full, will be significantly larger and paid earlier than might reasonably have been expected at the time the scheme was originally put to shareholders.

In recognition of this potential outcome, on 23 February 2018 the Group announced that Jeff Fairburn, Group Chief Executive, Mike Killoran, Group Finance Director, and Dave Jenkinson, Group Managing Director had informed the Remuneration Committee of a series of decisions intended to reduce the scale of payments and extend the holding period under any second tranche.

These decisions by the Executives, which are described in more detail in the Remuneration Report, have been welcomed and fully supported by the Remuneration Committee which has also noted Jeff Fairburn's intention to donate a substantial proportion of his total reward to charity. The Board regards these decisions as an appropriate response by the Executives. Accordingly, the Board unanimously supports this amendment which it believes to be in the interests of the Company as a whole.

#### Board Changes

As mentioned above, the Board announced the resignation of Jonathan Davie, together with Nicholas Wrigley's intention to resign, on 14 December 2017. I was appointed SID on that date and Marion Sears was appointed Remuneration Committee Chair. Nicholas stepped down from the Board on 26 February 2018 and I was appointed Acting Chairman from that date.

The Board would like to thank both Jonathan and Nicholas for their long service to the Company and particularly to record its appreciation of their clear sense of accountability in recognising that the 2012 LTIP could have included a cap, the absence of which led them to tender their resignations.

The Board is progressing its search for a new Chairman and will make an announcement when the process has been concluded.

### Outlook

We have experienced encouraging levels of customer activity in the first eight weeks of the 2018 spring season with healthy visitor numbers to the Group's development sites. The Group's private sales rate per site was 7% higher than last year at this point and current total forward sales, including legal completions taken so far in 2018, are £2.03bn, 7.5% ahead of the previous year (2017: £1.89bn). Cancellation rates remain at historically low levels. The average selling price of private sales within our total sales is £234,106, 2.0% higher than at the same point last year, and pricing conditions remain firm.

The Group is well placed to deliver a further increase in new home construction across the UK in 2018 where the local planning environment allows. Over the opening weeks of the year the Group's site network has remained strong and we are focused on making an early start on as many new development sites as possible. Our significant investment in work in progress carried forward into 2018 provides a platform for further progress in the Group's construction programmes.

We will continue to work with local planning authorities to identify the land that is required to meet the assessed housing need in their local communities in line with their obligations under the National Planning Policy Framework. We continue to identify good quality land opportunities in the open market although competition has increased slightly. We will maintain our disciplined approach to land replacement so as to sustain higher levels of shareholder value creation through the cycle.

However, we recognise that with the continued increase in industry output the availability of skilled trade resources and some key materials to support further growth continues to be a constraint. Persimmon will continue to take action to help address these issues. The Group has made excellent progress in establishing its brick manufacturing plant at our Harworth manufacturing hub, near Doncaster, and deliveries to site have commenced, providing support to our build programmes. Additionally, we have now taken the decision to manufacture roof tiles and expect to establish a new plant at Harworth during 2018 with the intention of commencing Group supply the following year. Space4 continues to make an important contribution to our expanding in-house manufacturing capability and we anticipate making further investment in the Space4 technology over the coming years. These initiatives, in combination with our increased investment in the team's skill base, both on site, and in each of our regional management teams across the UK, will help the Group deliver further growth, although we also recognise that it can take three to five years for trade trainees to acquire the required high standard of construction skills.

The UK economy has been resilient through 2017 delivering increased levels of employment whilst facing some increased uncertainties associated with the Government's ongoing implementation of the UK's exit from the EU. UK mortgage lenders continue to support customers with competitive and compelling mortgage offers. With the cut in stamp duty for first time buyers announced in November 2017 the Government has provided additional support for families to enter the housing market for the first time. We remain focused on investing in local infrastructure and housing delivery for the communities that we serve.

I would like to thank management, all our staff, our contractors and suppliers for all their hard work and achievements which have contributed to our excellent performance in 2017. The Board is excited by the opportunities for the further development of the business supported by the Group's strong financial position and is confident of securing further progress.

**Nigel Mills**  
Senior Independent Director  
and Acting Chairman  
26 February 2018

## AT A GLANCE

## Quality and choice across the UK

## OUR BRANDS

Logo removed

Persimmon Homes is our core brand which delivers a range of new homes from apartments to large family homes throughout the UK in places customers wish to live and work. With a reputation built on quality, we sell most of our homes under this brand.

Image removed

Average selling price 2017

**£215,336**

Units sold

**11,489**

Plots

**68,411**

Logo removed

The Charles Church brand complements Persimmon by 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.

Image removed

Average selling price 2017

**£351,218**

Units sold

**1,785**

Plots

**11,191**

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

Average selling price 2017

**£116,068**

Units sold

**2,769**

Plots

**18,843**

## OFFSITE MANUFACTURING

Logo removed

Our Space4 business operates an offsite manufacturing plant producing 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 helps us to address three main challenges in housing delivery: affordability, energy efficiency and construction industry skills shortages. This business supports all of our brands and supplied over 6,450 timber frame kits to the Group's housebuilding businesses in 2017.

Logo removed

Our Brickworks in Harworth started supplying the Group's operating businesses with concrete bricks in January 2018. The factory has the capability of producing c. 80 million bricks a year, which will underpin our ability to increase house building volumes. The factory is entirely focused on supplying the Group's housebuilding operations.

Graph removed

#### Contribution to Group revenue

|                          |       |
|--------------------------|-------|
| 1. Persimmon             | 72.3% |
| 2. Charles Church        | 18.3% |
| 3. Westbury Partnerships | 9.4%  |

Graph removed

#### Units sold

|                     |               |
|---------------------|---------------|
| 1. Northern offices | 8,472 (52.8%) |
| 2. Southern offices | 7,571 (47.2%) |

Graph removed

#### Landbank

|                   |                |
|-------------------|----------------|
| 1. Northern plots | 52,412 (53.2%) |
| 2. Southern plots | 46,033 (46.8%) |

Image removed

## OUR LOCATIONS

### Northern offices

01. Perth
02. Glasgow
03. Bathgate
04. Newcastle
05. Durham
06. Stockton
07. Lancaster
08. Leeds
09. York
10. Manchester

11. Mansfield

12. Leicester
13. Wolverhampton
14. Peterborough
15. Norwich

### Southern offices

16. Birmingham
17. Studley
18. Northampton
19. Witham
20. Ipswich

21. Swansea

22. Llantrisant
23. Bristol
24. Malmesbury
25. Maidenhead
26. Camberley
27. Maidstone
28. Fareham
29. Exeter
30. Launceston

### Offsite manufacturing

#### Space4

31. Birmingham

#### Brickworks

32. Harworth

## THE UK HOUSING MARKET

# Key trends affecting our business

### RESILIENT CONSUMER CONFIDENCE

Consumer confidence and the health of the UK economy are fundamental to a sustainable UK housing market. Growth in the UK economy slowed during 2017 as households' real incomes and spending were squeezed by higher inflation following the fall in the value of sterling after the June 2016 EU referendum. However, the UK economy has proven more resilient than forecast following the referendum. The latest estimates show that GDP\* has increased by 1.7% in 2017, slightly below the 1.9% growth in 2016.

Unemployment rates and interest rates remain historically low, which support consumer sentiment. GFK's long running consumer confidence index decreased during 2017. It lifted four points in January 2018 to -9, as consumers reported improved confidence in their financial situation for the coming year, albeit it was still lower than in January 2017. Risks to demand remain within the UK economy as uncertainties resulting from the ongoing negotiations regarding the UK leaving the EU move forward.

\* Source: ONS

### UK GDP 2017

# +1.7%

ONS estimated figure for 2017

Graph removed

Source: ONS, OBR.

### MARKET SHARE

Persimmon's share of the new homes market in 2017 was c. 10% (2016: c. 10%). UK housebuilders registered more than 160,000\*\* new homes with the NHBC in 2017, an increase of 6% on the previous year and the highest since the pre-recession levels of a decade ago. The affordable housing sector experienced particularly strong growth last year increasing by 14% to 41,781\*\* new homes, the highest yearly total for the sector since NHBC electronic records began 30 years ago. Total house sales in the UK during 2017 were c. 1.2m† (2016: 1.2m).

Image removed

### New homes 2017

# +6%\*\*

Homes registered with NHBC by UK housebuilders

Graph removed

\*\* Source: NHBC.  
† Source: HMRC (provisional figure).

### DEMAND FOR HOUSING

There is strong demand for new housing from the increased number of households in the UK, together with a consistent undersupply of new homes for many years. The Government's Housing White Paper published in February 2017 aims to deliver increased numbers of homes more quickly to meet the demands of local communities. In the 2017 Autumn Budget the Government announced plans to increase the annual volume of new homes built to 300,000 per year by 2022<sup>Δ</sup>. This plan is supported by the Government's announcement in October 2017 of an additional £10 billion for the Help to Buy Equity loan scheme, which helps families to buy a newly built home with a 5% deposit.

Increased demand has resulted in house prices rising at a rate above that of retail price inflation. The average UK house price was £227,000\* in December 2017, a growth of 5.2%\* on the previous year. Our average selling price was £213,321 in 2017, as we have a focus on affordability and the first time buyer, first time mover market.

\* Source: ONS.  
Δ Source: HM Treasury.

### UK average house price December 2017

# £227,000

Source: ONS

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## PLANNING AND REGULATION

Planning approvals for the year to 30 June 2017 were at the highest level since June 2006, however the process of securing implementable detailed planning consent remains challenging. The Government has announced planning reforms to improve land availability for new housing and to maximise the potential of underused land in towns and cities. This should support progress towards achieving the Government's significant housebuilding targets in the future. The revised National Planning Policy Framework is expected to be implemented in March 2018. Local planning authorities are required to put in place five year plans to meet their housing needs which should ensure a consistent supply of consented land to enable the housebuilding industry to commit capital to long term projects. Persimmon will continue to work with all stakeholders to identify ways to improve the efficiency of the local planning system.

Image removed

## MORTGAGE AVAILABILITY

The number of new mortgages decreased slightly in 2017 to 796,243\* new loans for home purchase (2016: 801,500). Although the Bank of England increased the base rate to 0.5% in November 2017, mortgage lenders remain keen to increase their market share and the mortgage market remains competitive. The Bank of England's Financial Policy Committee has increased mortgage stress tests to support affordable and disciplined mortgage lending. The Government recently announced the launch of a £2 million competition to support financial technology firms to develop innovative solutions that help first time buyers ensure that their history of meeting rental payments on time is recognised in their credit scores for mortgage applications.

### New mortgages

# 796,243\*

Approved in 2017

Graph removed

\* Source: Bank of England.

## SKILLED LABOUR

The availability of skilled labour remains a key issue and increasing the supply of trade skills will be essential if the industry is to increase the volume of new homes built in the UK. In the 2017 Autumn Budget, the Government announced £204 million of funding for innovation and skills in the construction sector. Persimmon continues to invest in initiatives to train apprentices and graduate trainees and we continue to work with the Construction Industry Training Board (CITB) and Home Building Skills Partnership to design apprenticeship standards. We play an active role in the Home Building Skills Partnership, a joint initiative between the CITB and the Home Builders Federation, which aims to train over 40,000 new tradespeople by 2019 to help address the industry's skills shortage.

### Skilled labour

# 40,000

Number of people the Home Building Skills Partnership aims to train by 2019

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## BUSINESS MODEL

# How we create value

### INPUTS

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

#### Land

We need a good supply of high quality land in places where people want to live to build our houses. Due to the delays in obtaining planning consent it is important that we maintain our landbank at the appropriate level.

#### People

We need skilled people to implement our strategy. We employ c. 4,600 staff and also engage many subcontractors to build our homes.

#### Geographic coverage

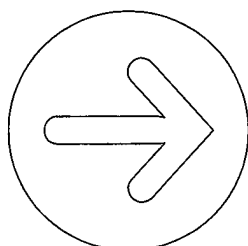
We are a national housebuilder. To maximise sales potential and mitigate regional market risk, we have 30 regional offices from Perth to Launceston.

#### Materials

A consistent supply of good quality materials is very important. We regularly engage with our many suppliers through our regional businesses. We also maintain Group supply contracts for our major supply needs, to ensure competitive prices, continuity of supply and to develop more sustainable trading.

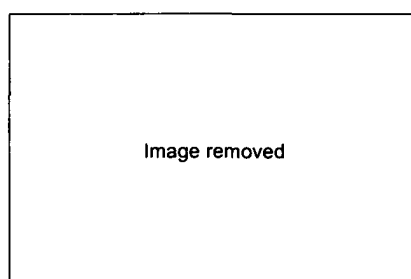
#### Offsite manufacturing

Our offsite manufacturing capability including our Space4 insulated timber frame build system and our Brickworks are both important contributors to our overall construction capacity. We have also decided to manufacture our own roof tiles with a new facility at our manufacturing hub in Harworth to be developed in 2018.



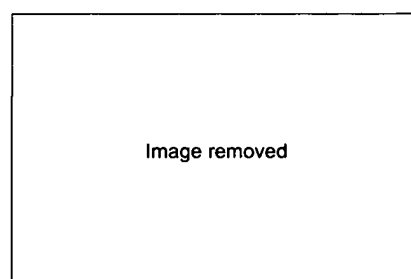
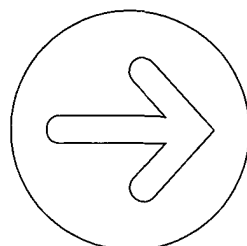
### WHAT WE DO

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.



#### Obtaining planning permission

An important part of our business model is to identify land that will be suitable for housing, obtain control of that land and then invest to promote it through the planning system. This is our Strategic Land. We have dedicated land and planning teams across the Group's 30 house building businesses which identify suitable land and obtain appropriate planning consents.



#### Buying land

We obtain the land we need for our developments either through our Strategic Land portfolio or through land purchased with planning consent on the open market. We maintain a strong landbank to give the Group continuity of supply, to support the efficiency of our operations, to maintain a strong sales network and to enable us to be selective in our land acquisitions.

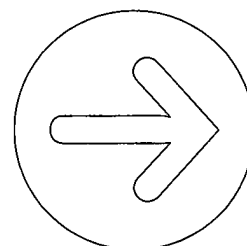


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**Design & build**

We build a wide range of homes which are designed to appeal to new home buyers nationally. Our house designs support an efficient approach to construction whilst delivering a compelling choice of finishes to our customers. Our Space4 modern method of construction helps to support our production rates by easing resourcing pressures. Our Brickworks and Tileworks will underpin our construction programmes. We maintain tight control over our construction costs and work in progress, so that we can react quickly to changes in housing demand.

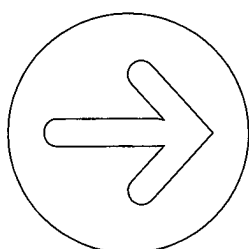
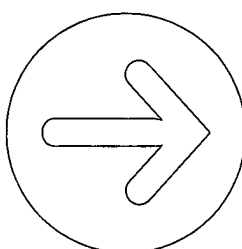


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**Sales & customer care**

We maintain a national site network with a good choice of house types to maximise our sales potential. We build under our three housing brands, Persimmon Homes, Charles Church and Westbury Partnerships. We offer a range of family homes with a particular focus on affordability. We continue to invest to provide excellent levels of service and customer care.

**OUTCOMES**

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

**New homes**

# 16,043

Sold in 2017 of which 2,769 were delivered to housing associations

**Sustainable communities**

# £64m

Provided to our communities in 2017 through planning contributions

**Financial strength**

# £3.2bn

Balance sheet net assets at 31 December 2017

**Employment**

# 4,535

People employed on average in 2017

**Profit before tax**

# £966.1m

For year ended 31 December 2017

**Charitable donations**

# £748,842

Persimmon Charitable Foundation donations during 2017

**Capital returned to shareholders**

# £417m

In the year to 31 December 2017

## OUR STRATEGY

# A Strategy that sets us apart

## OUR STRATEGIC PRIORITIES

The Group's strategy launched at the start of 2012 is designed to create and protect superior levels of shareholder value over the long term and through the housing cycle. We are focused on delivering disciplined growth by meeting customer demand for well-designed, quality homes in locations where people wish to live and work.

### 1

**Provide homes to suit different customers with a focus on good affordability**

### 2

**Build homes to meet market demand in locations across the UK**

### 3

**Ensure a sustainable approach to land replacement**

### 4

**Strengthen our offsite manufacturing capabilities and on-site productivity**

### 5

**Focus on high levels of customer service**

### 6

**Maintain excellent levels of health and safety**

### 7

**Invest in our people and skills development**

### 8

**By maintaining capital discipline, return surplus cash to shareholders through the cycle**

## OUR STRATEGY

## 2017 Highlights

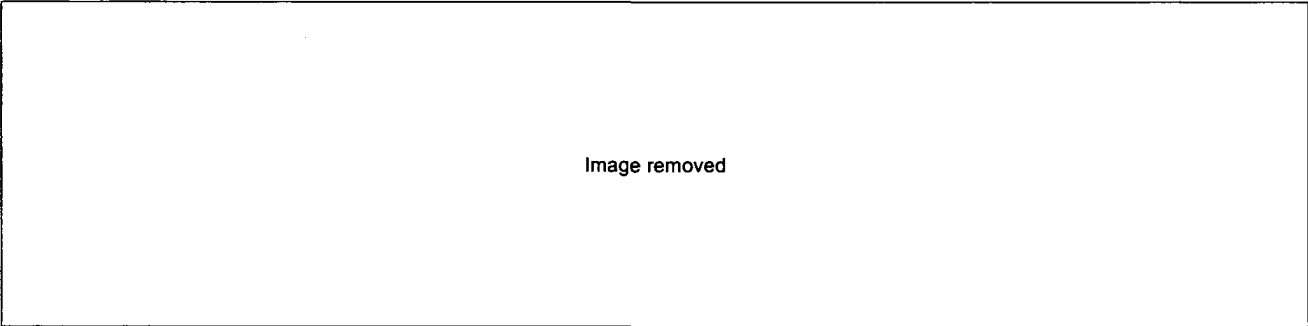


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**Opening of new operating business in Mansfield**

Our strategy is to build homes to meet market demand in locations throughout the UK. In January 2017 we launched a new operating business based in Mansfield, north of Nottingham, to support the delivery of increased volumes of new homes in this regional market, where we have identified a high demand.

The operating business in Mansfield has made good progress, legally completing 373 new homes in 2017.

We opened a new operating business near Ipswich in Suffolk in January 2018 to improve our operational capability and supplement our existing operations in the East of England. Over the last three years we have opened six new offices, increasing the number of regional house building businesses within the Group from 24 to 30 demonstrating our commitment to increase supply where there is good demand.

**Operating businesses****+6**

Increased the number of regional housebuilding businesses from 24 to 30 over the last three years

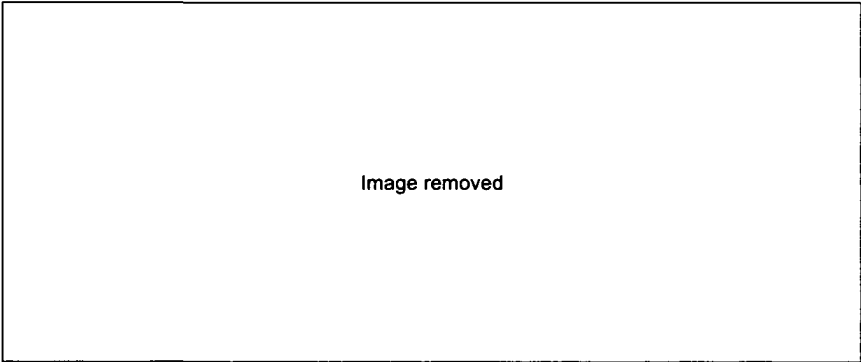


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We opened a new operating business in Suffolk in January 2018 which brings our total number of housebuilding businesses to 30.

Our Brickworks in Harworth commenced production of concrete bricks in November 2017 and started supplying the Group's operating businesses in January 2018. The plant has the capacity to produce c. 80 million bricks each year. This output will satisfy approximately two thirds of the Group's current requirements.

Manufacturing our own bricks will secure availability of this key material component for our build process, helping to support the efficient delivery of new homes to the market and helping us to control our costs.

**Brickworks production commenced**

## OUR STRATEGY

## 2017 Highlights continued

**Returns to Shareholders  
Our Capital Return Plan**

The total value of the Capital Return Plan has been further increased to £13.00 per share to 2021, an increase of 110% over the original commitment made by the Board in 2012.

Whilst the regular annual instalments under the Plan will be maintained at 110 pence per share, the Company intends to make additional capital return payments of 125 pence per share, each year for the next three years ending in 2020. In 2018 we will make an interim dividend payment of 125 pence per share on 29 March 2018 and the Board has recommended a final dividend payment of 110 pence per share on 2 July 2018.

**Capital Return Plan****£1.5bn**

returned to date  
or £4.85 per share

**Persimmon Homes,  
Castle Park,  
Worthing.**

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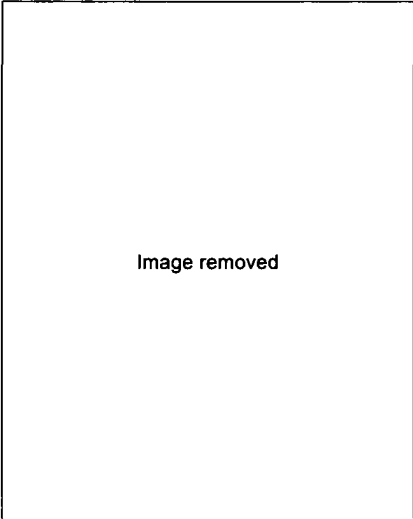


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### **Addressing the housebuilding trade skills shortage**

In September 2017 we signed up to the Home Builders Federation (HBF) Home Building Skills Pledge, an industry collaboration which aims to collectively tackle the pressing skills gap in our industry. By signing up to the pledge we have committed to work with the industry to share best practice and promote home building as a primary career choice.

---

**We provided over  
10,600 training days  
in 2017**

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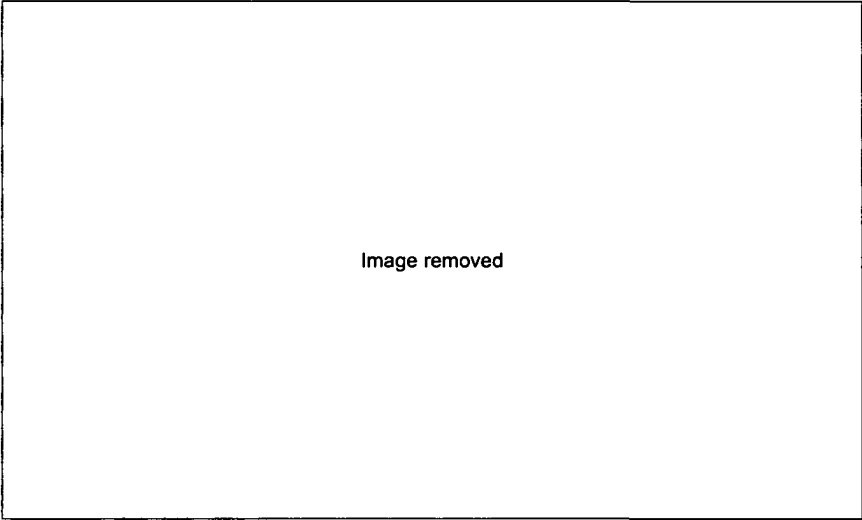


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### **Improved customer satisfaction 2017**

Our customer satisfaction score in the HBF “recommend a friend” survey has increased to 79.1% (2016: 74.6%), which is just below the level required for four star status.

The improvement has been achieved through a number of measures including increased use of standard house types, and better use of IT to identify, report and monitor the resolution of any snagging issues. In response to feedback from our

customers, we have recently introduced a more flexible service, with maintenance appointments available at weekends and “out of hours” opening of customer care departments.

During 2018 we will continue to focus on delivering tangible improvements in our satisfaction ratings, see page 17.

## KEY PERFORMANCE INDICATORS

# How we performed

### FINANCIAL KPIs

#### Revenue measures

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

# +9%

Revenue (£m)

Graph removed

**Strategic priority:** Delivering disciplined growth. See page 12

# +10%

Forward sales (£m at 31 December)

Graph removed

**Strategic priority:** Delivering disciplined growth. See page 12

#### 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.

# +14%

Operating margin (%)<sup>1</sup>

Graph removed

**Strategic priority:** Superior levels of shareholder value. See page 12

# +25%

Profit before tax (£m)<sup>1</sup>

Graph removed

**Strategic priority:** Superior levels of shareholder value. See page 12

<sup>1</sup> Stated before exceptional items and goodwill impairment. After exceptional items and goodwill impairment the figures are as follows: Operating margin: 27.9% (2016: 24.6%; 2015: 21.6%; 2014: 18.1%; 2013: 16.3%); Profit before tax: £966.1m (2016: £774.8m; 2015: £629.5m; 2014: £467.0m; 2013: £337.1m).

#### 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.

# +18%

Free cash generation (£m)<sup>2</sup>

Graph removed

**Strategic priority:** Strong cash generation. See page 12

# +43%

Cash (£m)

Graph removed

**Strategic priority:** Strong cash generation. See page 12

<sup>2</sup> 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.

# +31%

**Return on average capital employed (%)<sup>3</sup>**

Graph removed

**Strategic priority:** Discipline over capital employed. See page 12

# +17%

**Net assets per share (pence)**

Graph removed

**Strategic priority:** Discipline over capital employed. See page 12

**NON-FINANCIAL KPIs****Customer survey**

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

**Star rating (1-5)**

Graph removed

**Strategic priority:** Focus on high levels of customer service. See page 12

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

**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.

**Tonnes**

Graph removed

**Strategic priority:** Building sustainable homes. See page 12

**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 in our house building operations.

**Number**

Graph removed

**Strategic priority:** Robust health and safety. See page 12

**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.

**Plots**

Graph removed

**Strategic priority:** National site network. See page 12

<sup>3</sup> 12 month rolling average and stated before exceptional items and goodwill impairment. After exceptional items and goodwill impairment the figures are as follows:  
Return on average capital employed: 50.9%  
(2016: 39.0%; 2015: 31.7%; 2014: 24.2%; 2013: 18.0%).

## STRATEGIC UPDATE

## Disciplined growth and value creation

Each of the Group's house building businesses is focused on delivering disciplined growth by meeting customer demand for well-designed homes of quality in locations where people wish to live and work. Persimmon concentrates on the basics of good house building, investing in high quality land and constructing good quality homes, and working with local communities to deliver the infrastructure and new homes that support thriving places. The Persimmon team is proud to contribute to supporting sustainable communities in its local markets. The strategy launched by the Group in early 2012 aims to create, and then protect, superior levels of shareholder value over the long term and through the housing cycle.

The success of the Group's strategy is dependent on optimising the operational execution of the following critical elements of our business model:

- High quality land replacement.  
By investing in the right land at the right point in the cycle we place the business in the strongest position to deliver higher returns over the near term whilst also mitigating the effects of changing conditions over future periods;
- Prioritise strategic land investment and its conversion into high quality developments with detailed planning consents over the long term;
- Disciplined control of the capital employed within the business supporting sustainable growth and maintaining an optimal capital structure through the cycle; and
- Create greater certainty for shareholders regarding the value and timing of returns.

With the successful delivery of our operational objectives, the strategy recognises the potential for the Group to generate surplus capital through the housing cycle whilst minimising operational and financial risks.

The strategy is designed to generate the maximum sustainable returns and added value for our shareholders in compensation for accepting the key risks that the business faces.

The Group's 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, reinforces our capital discipline. As announced on release of these results the Board has again decided to increase the Capital Return Plan by a further £1.25 per share, or c. £390m, each year for the next three years to a total of £13.00 per share by 2021, which now represents an 110% improvement over the original Capital Return Plan value per share.

The Group's cash generation has been excellent which has supported significant investment in new land of c. £3.7bn, bringing almost 140,000 new plots into the Group's land bank 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 70% since the launch of the Group's strategy in 2012. This substantial growth has been achieved whilst also returning £1.49bn of surplus capital to shareholders to date, well ahead of the original Capital Return Plan schedule.

Persimmon has delivered further significant progress in 2017 as follows:

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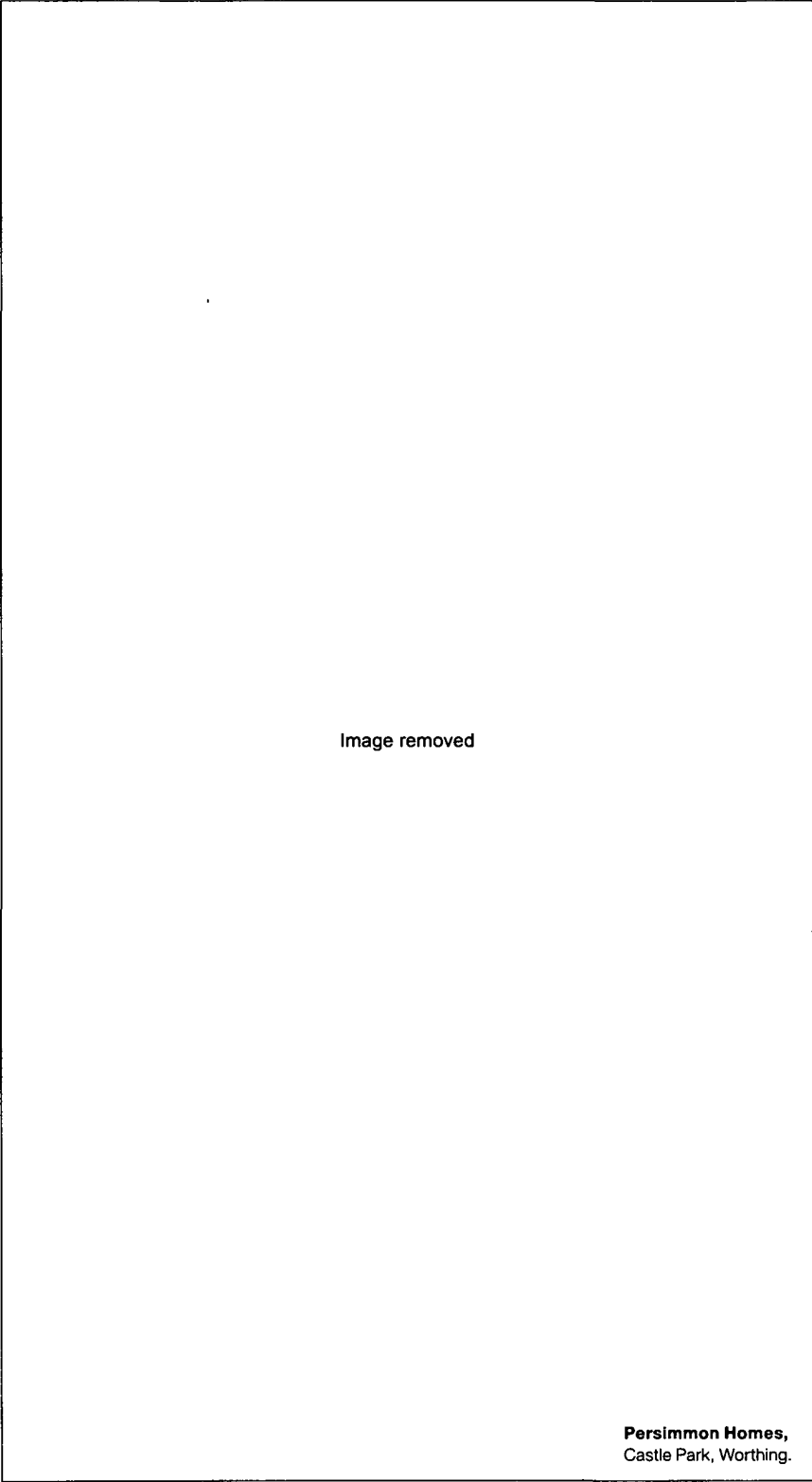


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**Persimmon Homes,**  
Castle Park, Worthing.

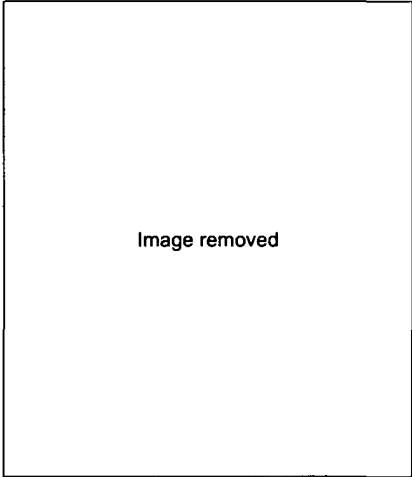


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### Growth

The Group's revenues have increased year on year by 9% to £3.42bn, legal completion of new home sales increasing by 872 additional homes over last year to reach 16,043 homes in total.

We believe disciplined high quality growth is best supported by maintaining a sustainable market share in each of our regional markets. The Group has opened six new house building businesses over the last three years to meet market demand and secure the growth in new home construction that local communities need. We opened our latest new business on 2 January 2018 near Ipswich in Suffolk to help deliver additional development in this important market. The Group now has 30 separate regional house building businesses across the UK.

Our experience indicates that the efficiencies and returns from our house building operations are optimised on a sustainable basis when we achieve an annual average private sales rate per site of around three new homes sold every four weeks (or c. 0.75 of a sale per site per week). The Group experienced good trading conditions through 2017 and achieved an average weekly private sales rate of c. 0.72.

The Group will continue to pursue further disciplined growth of our house building operations to deliver superior levels of free cash generation and returns in line with our strategic objectives.

## STRATEGIC UPDATE

continued

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### Momentum

Total forward sales at 26 February 2018, including legal completions so far this year, increased to £2.03bn, 7.5% stronger than at the same point last year (2017: £1.89bn).

### Resilience

The expertise of all the Group's employees and subcontractors are key ingredients in delivering the Group's superior operational performance. We continue to invest in new systems and processes, and to build the skill base of the business, particularly in the teams engaged in land sourcing and acquisition, design, site management and construction, sales and customer care, to ensure the Group's operational performance remains strong.

To support our construction operations we continue to invest in the Group's offsite manufacturing capability. The Group's brick manufacturing facility commissioned during the year is progressing well and has started deliveries to site. We have also decided to establish a roof tile manufacturing plant to aid the Group's build programmes, which will be developed on the site shared with Brickworks at Harworth, near Doncaster. In addition, we anticipate further investment in the Group's Space4 timber frame construction technology over future years to increase capacity and coverage for the Group across the UK.

The Group's land replacement activity continues to benefit from the investment in our land, planning and design teams, which prioritises opening up new development sites as quickly as possible. During 2017 we opened 197 new sales outlets.

Over the six years since the launch of the Group's new strategy we have opened 1,189 new sales outlets across the UK.

### Asset strength

The Group has a very strong balance sheet. At 31 December 2017 our land bank of c. 52,600 owned plots of land with implementable detailed planning consent (2016: c. 52,800 plots) enables each of our 30 local management teams to plan their operations most efficiently over the short term. Our future growth is dependent upon continued substantial investment to bring new land forward in locations where people wish to live and work. We continue to focus on securing planning consents in partnership with local planning authorities and other stakeholders as effectively as possible. We own a further c. 24,500 plots of land (2016: c. 18,000 plots) which are progressing towards detailed consent at this point. These plots will add to our current land bank over future years as the remaining planning requirements and conditions are fulfilled.

Local communities need sufficient land to be made available in locations where they would prefer to live to satisfy their housing needs. The Government published its Housing White Paper for consultation on 7 February 2017 to support its drive to deliver the right homes in the right places, in increasing numbers, more quickly, based on the objectively assessed needs of local communities. We support the Government's plans to make further improvements to the planning system with the aim of making it more efficient and effective in delivering an increasing number of new sites for construction as promptly as possible to achieve its policy objectives.

Reflecting the feedback provided by all stakeholders the Government is expected to introduce a revised National Planning Policy Framework in March this year which is designed to support these aims.

The Group's owned land bank will be added to in the future by land where we have exchanged contracts to buy but where the contract remains to be completed due to outstanding conditions remaining unfulfilled. The c. 21,400 controlled plots (2016: c. 26,400 plots) typically are at an earlier stage in the planning process with the eventual acquisition of the land remaining subject to clearing numerous technical consents and planning conditions. We would like to make a start on the development of these sites as promptly as possible and are working with all stakeholders to achieve the required implementable detailed consents as soon as possible.

The Group acquired 17,301 plots of new land during 2017 across 84 separate locations, of which 8,296 plots were converted from our strategic land portfolio in 28 locations. Since the launch of the Group's strategy in 2012, we have successfully converted c. 47,000 plots from our strategic land portfolio and invested in a further c. 9,400 acres of strategic land. At 31 December 2017, of the plots owned in our consented land bank together with the plots under our control, c. 51% were previously within the Group's strategic land portfolio.

The Group's land bank strength allows us to serve our markets best by continuing to invest in the right land at the right time. Our growth in new home construction of over 70% since the launch of the Group's new strategy in 2012 has been enabled by the substantial investment in new land over the last six years, the Group having acquired c. 116,000 plots of land whilst spending c. £3.2bn. We will remain disciplined in retaining the required level of liquidity to support the delivery of the housing numbers and associated infrastructure for the local communities we serve. This liquidity will be essential to support the promotion and successful conversion of our strategic land into active selling outlets over the next few years.

## Returns

The Group's return on equity for 2017 increased by 10% to 26.5% (2016: 24.1%). The 26% increase in post tax profit in the year was generated from average shareholders' equity value which increased by just 14% reflecting the capital discipline at the heart of the Group's strategy reinforced by the Capital Return Plan.

Persimmon's return on average capital employed\* ("ROACE") for 2017 of 51.5% improved by 31% from 39.4% in 2016. This further improvement in return on capital was supported by the 14% growth in underlying operating margin\*\* to 28.2% (from 24.8% in 2016). Underlying operating profit\*\* for the year increased by 24% to £966.1m (2016: £778.5m). The increase in underlying operating profit was delivered from average capital employed that was 5% lower than last year at £1.88bn.

The Group's underlying margins have continued to benefit from the lower level of land cost recoveries on new home legal completions in the year. This continues to demonstrate the quality of the new land replacement achieved over recent years which has embedded further high quality returns in the Group's forward land bank for the future.

The Group continues to deliver industry leading asset turn with work in progress representing just 21% of 2017 revenues. Our intensive management of the Group's construction programmes to deliver the new homes reserved by our customers supports higher levels of capital efficiency and therefore shareholder returns.

With our focus on the cash intensity of the business the Group has continued to deliver strong liquidity. The free cash generated by the business before capital return and before land creditor movement was £804.1m, or 261 pence per share (2016: £711.3m, or 231 pence per share). Since the launch of the new strategy the Group has generated over £2.77bn, or c. 902 pence per share, of free cash before capital returns.

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

\*\* Stated before goodwill impairment of £11.0m (2016: £8.0m).

**Persimmon Homes,**  
Forge Wood, Crawley.

**STRATEGIC UPDATE**

continued

**Persimmon Homes,**  
Forge Wood, Crawley.

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### Surplus capital

A key feature of the Group's strategy is exercising a disciplined approach to managing the capital employed in the business whilst mitigating financial risk through the cycle. The Group's working capital cycle and reinvestment needs are primary considerations in this assessment. Liquidity generated beyond this level is properly considered surplus to these core requirements. The Board monitors the ability of the Group to pay dividends out of available cash and distributable profits and reviews the application of surplus capital to address other corporate capital matters, including the assessment of the Capital Return

Plan. As explained in the Statement of the Acting Chairman, the Directors are further increasing the Capital Return Plan with a payment of £1.25 per share, or c. £390m, each year for the next three years to be paid in early April each year so as to return the Group's cash balances to more appropriate levels. This payment will be an interim dividend for the financial year with the scheduled capital return of £1.10 per share being recommended to shareholders for payment as a final dividend for the financial year. The total value of the Capital Return Plan to 2021 is now £13.00 per share, 110% higher than the initial commitment made by the Board in 2012.

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

| Original Plan | New Plan      | Original Plan<br>Pence Per Share | New Plan<br>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 paid                     |
| 30 June 2017  | 3 July 2017   | 110 paid                         | 110 paid                    |
|               | 29 March 2018 | –                                | 125                         |
|               | 2 July 2018   | –                                | 110                         |
| 30 June 2019  | 3 April 2019  | –                                | 125*                        |
|               | 5 July 2019   | 110                              | 110*                        |
| 30 June 2020  | 2 April 2020  | –                                | 125*                        |
|               | 6 July 2020   | 115                              | 110*                        |
| 30 June 2021  | 6 July 2021   | 115                              | 110*                        |
| Total         |               | 620                              | 1300                        |

\* Current anticipated profile of payments.

In addition, in line with the Board's assessment and normal practice, it has decided to net settle the 40% of the 2012 LTIP share options that vested on 31 December 2017. As explained in Note 32 this is currently estimated to reduce the number of shares to be issued by the Company to c. 4.0m (from c. 9.2m) whilst the Company will make payments to HMRC of c. £88m. The tax liability of the 2012 LTIP participants does not change through the adoption of net settling. We will continue to review the level of surplus capital generated by the Group 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.

## HOW WE MANAGE RISK

# Long established and effective framework

Understanding our risks is fundamental to setting and monitoring the Group's strategy. We have an effective framework for identifying, monitoring and managing the risks faced by the Group, which enables us to consider the sustainability of the business and the preparation of our Viability Statement, see page 27. We have identified our Principal Risks, see pages 25 and 26, our management teams 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 and ongoing viability
- 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

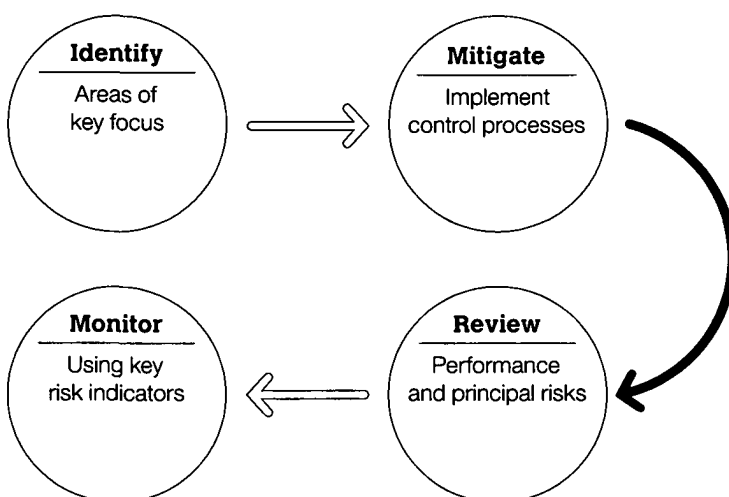
- Determines appropriate control procedures are in place
- Reviews operational risk performance
- Involvement in each operating business management meetings
- Reviews reports from Group Risk



### 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 2017

- Revenue recognition
- 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 the Group's Principal Risks, Viability Statement and Risk Register
- Monitoring health and safety policy and procedures
- Review of effectiveness of transaction controls

## 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Residual Risk Rating | Change in 2017                                                                        |
|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------------------------------------------------------------------------|
| <b>UK's exit from the EU</b>                     | <p>As the UK negotiates the terms of its exit from the European Union, there remains a degree of uncertainty on the outlook for the UK economy. Ongoing economic uncertainty may reduce consumer confidence, impacting on demand and pricing for new homes and affecting revenues, profits and cash flows and may result in the impairment of asset values.</p> <p>Potential legislative changes on freedom of movement may also restrict the availability of skilled construction workers and impact on costs and build activity. In addition, potential further relative devaluation of the UK currency as a result of Brexit could increase costs of materials.</p>                    | <p>We continue to closely monitor the impact of the 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.</p> <p>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.</p> | High                 |    |
| <b>Government policy</b>                         | <p>Government policy has the potential to influence various aspects of our strategy, operations and overall performance. Changes in Government policy are considered as a new principal risk due to increased uncertainty in the political environment.</p> <p>Potential changes in Government policy, such as changes to the planning system, changes in the tax regime, or the amendment of the Help to Buy scheme could have an adverse effect on industry revenues, margins and asset values. Government initiatives to encourage house building through social housing or the SME sector could also increase the demand for, and costs of, scarce material and labour resources.</p> | <p>We monitor Government policy in relation to house building very closely. Consistency of policy formulation and application is very supportive of the industry, encouraging continued substantial investment in land, work in progress and skills to support output growth. We actively manage our land investment decisions and work in progress commitments to mitigate exposure to external influences.</p> <p>Both major political parties in the UK continue to support the Help to Buy scheme which received additional funding in 2017 and is scheduled to remain in place until 2021.</p> <p>Recent changes in stamp duty for first time buyers may support activity levels in the market.</p>                                                                                                                                                                                                                                                                                                                                                  | High                 | New                                                                                   |
| <b>National and regional economic conditions</b> | <p>The housebuilding industry is sensitive to changes in unemployment, interest rates and consumer confidence. Any deterioration in economic conditions may 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.</p>                                                                                                                                                                                                                                                                                                                                                 | <p>We control the level of build on site by closely managing our work in progress levels. We carry out extensive due diligence prior to our land investment decisions. We monitor our geographical spread to mitigate the effects of local microeconomic fluctuations. We continually monitor lead indicators on the future direction of the UK housing market so as to manage our exposure to any future market disruption.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | High                 |  |
| <b>Mortgage availability</b>                     | <p>Any restrictions in the availability or affordability of mortgages for customers could reduce demand for new homes and affect revenues, profits and cash flows. Early withdrawal of the Government sponsored Help to Buy scheme is likely to impact on the availability of associated mortgage lending and could reduce demand for new homes from first time buyers, impacting revenues, profits, and cash flows.</p>                                                                                                                                                                                                                                                                  | <p>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 competitive mortgage rates.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | High                 |  |

Key:  Increased risk  No change  Decreased risk

## PRINCIPAL RISKS

continued

| Risk                         | Impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Residual Risk Rating | Change in 2017                                                                        |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------------------------------------------------------------------------|
| <b>Health and safety</b>     | 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 the likelihood and impact of accidents on our sites.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | High                 |    |
| <b>Regulatory compliance</b> | Our business is subject to extensive and complex laws and regulations relating to areas such as 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 or imposition of financial penalties.                                                                                                                                                                                                                  | We operate comprehensive management systems to ensure regulatory and legal compliance, including anti-bribery policies.<br>We engage extensively with planning stakeholders to reduce the likelihood and impact of any delays or disruption. We also hold a land bank sufficient to provide security of supply for short to medium term land requirements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Low                  |    |
| <b>Materials</b>             | Expansion in UK housebuilding has driven an increase in demand for materials which may continue to cause availability constraints and/or costs to increase.<br><br>Prices for key materials may also be affected by currency movements as the Brexit process continues.                                                                                                                                                                                                                                                                                                                                                     | 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 ensure consistency of supply and cost efficiency.<br><br>We have invested in our expanding offsite manufacturing capability to help security of supply. Our own brick plant was commissioned in 2017 and will supply a significant proportion of the bricks we use. In addition we have taken the decision to manufacture our own roof tiles and will establish a new facility at our manufacturing hub at Harworth near Doncaster during 2018. This complements our existing offsite manufacturing capability at Space4, which produces timber frames and highly insulated wall panels and roof cassettes as a modern method of constructing new homes. We continue to examine further investment in Space4 technology.  | Medium               |  |
| <b>Labour</b>                | Having an appropriately skilled workforce is a key requirement for house building. Expansion in UK house building activity has increased demand for skilled labour. This may continue to create site resourcing shortfalls and/or increased labour costs ahead of our expectations. The availability and quality of labour resources may be further tightened depending on the nature of arrangements as the UK exits the European Union.<br><br>A skilled management team is required to enable effective implementation of the Group's strategy.<br>Loss of a number of key senior management could disrupt the business. | Close monitoring of our build programmes enables us to manage our labour requirements effectively. We operate in-house apprentice and training programmes, including our Combat to Construction (C2C) programme, to supply the Group with skilled labour.<br><br>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.<br><br>Where appropriate, we also use the Group's Space4 modern method of construction which reduces the site based skilled labour required in the construction of our homes.<br><br>The Executive Directors undertake regular succession planning reviews. The Board have conducted a detailed review of succession planning with particular regard to the 2012 LTIP. | Medium               |  |
| <b>Strategy</b>              | 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Low                  |  |

Key:  Increased risk  No change  Decreased risk

## VIABILITY STATEMENT

# The Directors have assessed the viability of the Group up to 31 December 2022

The Directors have assessed the longer term prospects of the Group in accordance with provision C.2.2 of the UK Corporate Governance Code 2016.

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 31 December 2022.

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

A key feature of the Group's strategy 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 ('CRP'). The CRP initially committed to return £1.9bn of surplus capital over the following ten financial years to 2021, or £6.20 per share. After six years the Group is ahead of plan and has paid £4.85 per share, or £1.49bn back to shareholders. On 27 February 2018 the Directors announced a further increase to the CRP to a total of £13.00 per share.

In making this statement, the Directors have carried out a robust assessment of the principal risks facing the Group (as set out in more detail on pages 25 and 26), 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 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. They also include the CRP.

The projections are subjected to sensitivity analysis, involving the flexing of key assumptions reflecting severe but plausible scenarios, which includes consideration of the cyclical nature of the UK housing market being influenced by the health of the UK economy. 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.

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**Persimmon Homes,**  
Dyffryn Glas, Pontypridd.

## THE UK HOUSING MARKET AND BRAND PERFORMANCE

# Disciplined growth and value creation

### The UK housing market, seasonality and pricing

The new build housing market experienced robust site visitor numbers in 2017 as the industry was able to deliver a modest increase in active outlet numbers and continue the recovery in new home construction volumes. The market was supported by resilient consumer confidence and a competitive but disciplined mortgage market. When compared to the second-hand home market, which continues to experience constrained stock levels, the industry continues to gain market share by striving to provide increased availability of well-designed good quality homes for consumers to buy. The Group's commitment to meeting market demand was further demonstrated by the opening of a further new house building business in Mansfield near Nottingham on 2 January 2017 to support our desire to increase our output.

Sales activity in the first half of the year benefited from a positive market backdrop assisted by firm consumer sentiment. This was supported by continued higher levels of employment within the UK economy and by interest rates remaining low. We experienced a confident spring sales market with the strength of the market building week by week from the start of the year in line with our expectations, despite mortgage approval volumes running c. 3% behind the levels seen in the first half of 2016. Whilst the result of the General Election on 8 June created heightened uncertainties the Group's average private sales rate for the first half of the year was c. 7% ahead of last year with the market taking the election in its stride. Throughout the first half we continued to focus on advancing our construction activities to help ensure the prompt delivery of our homes to customers.

**16,043**  
new homes completed

**Persimmon Homes,  
St. Edeyrn's Village,  
Cardiff.**

The Group started the year with a strong forward sales position of £1.23bn, 12% ahead of the prior year. As a result of the healthy first half sales rate, this strong forward sales position and the drive to advance our build activity, we were able to increase the number of new homes legally completed in the first half of the year by 556 homes to 7,794 new homes, an 8% increase year on year. In addition, we were able to carry forward an 18% stronger forward sales position into the second half when compared to the prior year at £1.60bn (2016: £1.36bn). In the first half the Group's average selling price progressed by 3.6% to £213,262 (2016: £205,762) reflecting the firm market conditions.

We were pleased with our average private sales rates through the quieter summer weeks, which were 2% ahead year on year, recognising the stiffer benchmark of our stronger prior year comparatives supported by more robust market conditions than expected post the EU Referendum in late June 2016. Indeed, through the summer period we actively advanced our build progress on 25 sites prior to releasing for sale into the autumn season in September, to provide our customers with increased certainty of moving in dates. 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.

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As expected, we experienced an uptick in customer activity as we moved into the autumn sales season from mid-September. We anticipated a more normal level of customer activity through this period than in the prior year when sales rates were supported by the cut in the Bank Rate to 0.25% on 4 August 2016, together with the introduction of a package of measures to support growth in the economy, including the Term Funding Scheme, after the Referendum result. Indeed, to ease some concern over affordability, in June 2017 the Bank of England's Financial Policy Committee increased the mortgage stress test that helps determine whether customers' mortgages are affordable on a sustainable basis. With consumer confidence remaining relatively consistent through the second half of the year, albeit at slightly lower levels, mortgage approvals weakened through the final quarter of 2017 leaving approvals for the second half in line with the prior year. The Bank of England increased the Bank Rate to 0.5% on 2 November, the first increase since July 2007, reversing the cut in August 2016. However, mortgage lenders currently remain keen to increase their market share. The Government's cut in stamp duty for first time buyers in the budget on 22 November 2017 should provide support to the market in 2018.

Given the strength of our comparatives, we were pleased with the Group's second half sales rate, being just c. 5% lower than last year. The Group's focus on driving our construction programmes forward enabled us to increase our new home legal completions in the second half by 4%, or 316 homes, to 8,249 new homes. Our forward sales at 31 December 2017 were 10% stronger at £1.36bn (2016: £1.23bn). The Group's average selling price for the second half of the year of £213,377 was 2.7% ahead of the prior year (2016: £207,680), leaving the full year average selling price of £213,321, 3.2% higher than 2016 (£206,765). This modest increase through the year reflected the performance of the Group's brands as discussed further below.

We achieved an increase of 25% in the number of new homes sold to our housing association partners year on year, these sales accounting for 17% of the Group's total volumes for the year compared to 15% of total volumes in 2016.

The Group remains focused on delivering house types that appeal to customers across the range but with an emphasis on first time buyers and first time movers within the mix of homes offered for sale on our developments. The Government's confirmation of the funding of the existing Help to Buy scheme in October 2017 provided important visibility for the industry and the necessary confidence to continue to invest in land and development works. Affordability of newly built homes remains very attractive when compared to the cost of renting an equivalent house in a similar location.

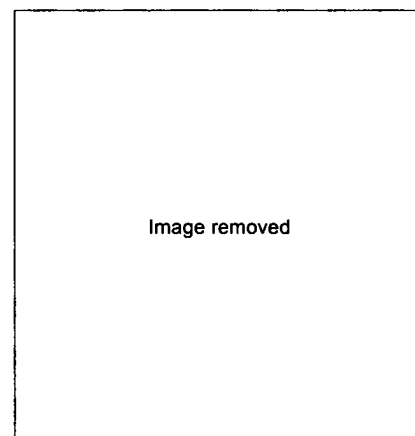
Achieving a sustainable increase in new sales outlets which are able to commence construction as quickly as possible, together with securing the appropriate level of skilled labour and materials to support increased build activity, remain the industry's most pressing issues and continue to constrain output levels.

Despite the Group opening 197 new sales outlets during 2017, due to healthy sales rates our average total active outlet numbers remained at similar levels at c. 370 sites. Unfortunately, even after establishing the principle of residential development in a location, the process of securing a detailed implementable consent to commence construction activity remains challenging and time consuming. The revised National Planning Policy Framework is expected to be implemented in March 2018. This includes measures to ensure local planning authorities establish and maintain up to date plans identifying sufficient land to meet their housing needs for a five year period and will hopefully support more timely delivery. Hopefully this will ensure that sufficient land supply is delivered in the places that have the greatest need for new homes.

#### Average selling price

# £213,321

(2016: £206,675)



Persimmon Homes,  
Becket's Grove,  
Wymondham.

#### Homes sold to Housing Associations

# +25%

on prior year

## THE UK HOUSING MARKET AND BRAND PERFORMANCE

continued

We will continue to work with all stakeholders to try to identify 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. Further increases in the number of sites that achieve residential planning consent will aid the industry in expanding the overall numbers of new homes constructed.

The substantial expansion of the Group's output over recent years demonstrates our commitment to increase the Group's rate of new home construction. We have made further progress in growing the skill base required to support higher sustainable levels of activity by increasing our investment in training both trade apprentices in the necessary site skills and graduate trainees across all disciplines in the business. Our 'Combat to Construction' initiative, which provides re-training opportunities for service personnel on leaving the armed forces, and our complementary 'Upskill to Construction' initiative which supports mature trainees to gain the required construction skills, are working well. The new Apprenticeship Levy was introduced in April 2017. The Group is focused on harnessing this funding to provide additional strength to our skills training initiatives. We are working with the CITB and the Home Building Skills Partnership to design apprenticeship standards which address the specific needs of modern construction methods which are approved under the Apprenticeship Levy regime.

Improvements in site productivity to support increases in construction output and to secure greater efficiencies remain a key focus for the Group. Work-flow management tools are being rolled out across our business which are designed to capture productivity benefits on site. We are progressively rolling-out the use of our core Group house types across the UK which is helping to secure increased production, especially when combined with our Space4 modern method of construction.

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System and process improvements have created improved visibility of anticipated build completion dates which is assisting greater precision in the timing of delivery of new homes to our customers. In addition, these improvements are assisting more proactive site resourcing and management of construction programmes which further assists our progress on site.

The Government's Help to Buy shared equity loan scheme continues to attract first time buyers across all regional new build housing markets. Mortgage lenders remain keen to support customers who choose to use this loan scheme with very competitive interest rates. The lenders' Help to Buy mortgage products offer the most attractive opportunity for customers to buy a new home. During 2017 we sold 7,682 new homes to customers who have secured a Help to Buy mortgage with 6,525 new homes sold in England, and 1,157 in Wales and Scotland.

The Group's two private sales brands, Persimmon and Charles Church, traded well during 2017.

**Persimmon Homes,  
Castle Park,  
Worthing.**

## Persimmon

The delivery of traditional family housing to the private owner occupier market remains the focus of the Persimmon brand. Total revenues for Persimmon of £2,474m increased by 10% over last year (2016: £2,242m).

This revenue growth was driven by a 5% increase in legal completion volumes to 11,489 new homes (2016: 10,906). The increase in legal completion volumes reflects the Group's ability to increase build rates through the use of our core Group house types, our modern method of construction system, Space4, and the detailed management of construction programmes. The Group's focus remains on providing a choice of desirable new homes at affordable prices with an emphasis on the first time buyer and first time mover segments of the market.

The Group's continued commitment to provide a choice of new homes at affordable prices across our UK wide site network is reflected in the lower level of Persimmon's average selling price of £215,336 (2016: £205,597). For the Group as a whole, just under 45% of our total private sales were delivered at prices of less than £200,000.

In our southern regional markets the Persimmon brand secured 42% of its legal completions and generated 49% of revenues with an average selling price for the year of £250,228 (2016: £243,858). The highest average selling price for Persimmon at £287,713 (2016: £279,923) was achieved in our Southern markets, with higher value sites at Downs View, Swanley near Dartford and Manor Park, Ashford in Kent generating good volumes. The lowest average selling price for the year at £173,786 (2016: £171,103) was delivered in the Wales regional market where sites at North Haven, Barry in the Vale of Glamorgan and Cwrt y Llwyfen, Carmarthen in south west Wales generated high volumes of new homes to first time buyers at lower price points. For Persimmon, the average selling price achieved in our northern regional markets was £190,037 (2016: £176,890).

The 5% year on year increase in legal completion volumes for the Persimmon brand (an increase of 583 new homes) resulted from a 2% (96 new homes) increase in second half year on year volumes which followed the 9% (487 new homes) increase in first half volumes over the previous year. The more muted second half growth is largely due to the strong comparatives for 2016, following the EU referendum and the strong recovery in customer demand thereafter. Persimmon's sales rates throughout the second half of 2017 reflected a confident market.

Persimmon's highest volumes were achieved in our Midlands and Shires regional markets with 1,758 and 1,587 new homes delivered respectively. The Scotland and North East regional markets also performed well during the year with both delivering over 1,250 new homes to our customers. Good contributions to legal completion volumes have been achieved from all five of the new businesses that opened since the start of 2015, with the new Nottingham business which opened on 2 January 2017 delivering 317 new Persimmon homes in the year.

The land market continued to provide some excellent opportunities to acquire new sites through 2017. These sites have been acquired at compelling levels of return. The Group maintained its substantial investment in new land throughout the year whilst remaining cautious given the risks and uncertainties generated by the headwinds confronting the UK economy, in particular those relating to the process of the UK leaving the EU. Given the strength of the existing land bank the Group will remain selective in its land replacement activities moving forward.

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**Persimmon Homes,  
Deben Heath,  
Rendlesham.**

## Persimmon Homes average selling price

**£215,336**

4.7% increase on prior year

## Persimmon Homes legal completion volumes

**+5%**

on prior year

## THE UK HOUSING MARKET AND BRAND PERFORMANCE

continued

During 2017, Persimmon acquired 13,518 new plots of land resulting in a forward consented land bank at the end of 2017 of 68,411 plots (2016: 66,382). Of these total plots, 37,867 plots have an implementable detailed residential planning consent (2016: 36,855) with all sites under construction. At 2017 output levels the current land bank represents c. 3.3 years of forward supply.

Persimmon also enjoyed further success in securing planning consents for residential development from its strategic land portfolio. During the year, 5,924 plots, across 26 sites, were delivered into its owned and under control land bank representing 52% of the plots consumed by legal completions in the year. Notable strategic land conversions were achieved at Redditch in Worcestershire for 296 new homes, including a Westbury Partnerships allocation of 89 plots, and for 132 new Persimmon and 56 Westbury Partnerships homes at Berkley in Somerset.

Our joint developments with St Modwen continue to progress with 107 new homes sold during 2017 across the six active sites under construction.

### Charles Church average selling price

# £351,218

9.3% increase on prior year

### Charles Church

The Charles Church brand is designed to complement Persimmon by offering the customer a choice of executive housing in premium locations across the UK, differentiating itself from the Persimmon product through larger house types and increased specifications. With this market positioning Charles Church has retained its focus on delivering higher value new homes and maintained active sales outlets at 74 sites at the end of 2017 in line with last year. Total Charles Church revenues for 2017 of £627m were 5% lower than the previous year (2016: £657m) with legal completions for the year 262 units lower at 1,785 (2016: 2,047). Charles Church legal completions were balanced across both halves of the year, with 900 new homes delivered in the first half and 885 in the second half.

The Charles Church average selling price increased 9.3% to £351,218 (2016: £321,209), with 57% (2016: 55%) of its sales being completed in more southern markets. Strong demand and pricing were experienced on sites at The Birches, Castle Hill near Ebbsfleet and Chancery Park, Exning in Suffolk.

**Persimmon Homes,  
Pointers Way,  
Redditch.**

The Group continues to offer both Persimmon and Charles Church branding on larger sites where appropriate. This creates the opportunity for the Group to secure the benefits of more efficient site operations resulting in performance improvements being captured across the business including continuity of build programmes, site resourcing and customer care performance through to health and safety compliance. By attracting a wider range of the home buying public through dual branding sites the Group is able to optimise sales rates and achieve a swifter asset turn. We have experienced strong sales performance during 2017 from the dual branded sites at Wymondham near Norwich and Ingleby Barwick in County Durham and have recently established dual branding with two new sales offices at Towcester, south of Northampton where we plan to sell 201 Persimmon homes and 78 Charles Church homes and similarly at Sherburn in Elmet near Leeds where 22 Charles Church homes are available on the latest development phase.

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#### Westbury Partnerships average selling price

# £116,068

8.6% increase on prior year

**Persimmon Homes,**  
Newcastle Great Park,  
Gosforth.

Charles Church owned and controlled 11,191 plots in its forward consented land bank at the end of 2017 (2016: 11,805). Of these total plots 5,774 have an implementable planning consent (2016: 6,720) providing c. 3.2 years of forward supply at 2017 sales volumes. This is in line with the Group's operational strategy for Charles Church where a shorter land bank allows the business to deliver a strong return on capital employed whilst allowing for a slower sales rate typically associated with a larger and more highly specified product. During the year 1,171 new plots were acquired by Charles Church.

During 2017 the Charles Church business converted 844 plots, across 6 sites, from the strategic land portfolio representing 47% of 2017 legal completions. Superior returns will be delivered from these sites as we begin development and achieve legal completions over future periods. Examples of successful strategic land conversion include 108 new Charles Church homes and 72 Westbury Partnerships homes at Burnham-on-Crouch in Essex and at Flockton, West Yorkshire for 37 private plots and 9 for sale to our housing association partners.

#### Westbury Partnerships

The provision of social housing as part of the Group's development activity continues to be very important in supporting sustainable local communities. The Group's partnership housing business, Westbury Partnerships, delivered 2,769 new homes to our housing association partners during 2017, an increase of 25% when compared to the previous year (2016: 2,218). In total this represented 17% of total legal completions for the Group during 2017 (2016: 15%). The average selling price for these homes increased 8.6% to £116,068 (2016: £106,889).

The Group delivered 62% of Westbury Partnerships' new homes in our southern regional market (2016: 65%). We are keen to continue delivering affordable housing to all our housing association partners across the whole of the UK. The Group will seek to further develop these strong relationships in order 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 working with each of our housing association partners at an early stage in the planning process we are able to identify the mix of house types and tenure, and timing of delivery of these new homes required to achieve socially sustainable communities. At 31 December 2017 we had c. 3,900 affordable housing units forward sold in our order book providing a strong platform for future delivery into local communities.

We will continue to work closely with local authorities to support housing delivery which works for all, a key feature of the Government's recent Housing White Paper, which looks to expand the choice of tenure types and increase the availability of affordable new homes to low income families and renters. Initiatives such as Discounted Market Sales Housing and Affordable Private Rent Housing will form key areas of industry discussions with local authorities and affordable housing provider partners to provide local communities with the new homes they need.

## THE UK HOUSING MARKET AND BRAND PERFORMANCE

continued

Westbury Partnerships maintains a strong relationship with Homes England (successor to the Homes & Communities Agency, launched in January 2018) in England and the Housing Agencies in Scotland and Wales, and is actively involved in managing our relationships associated with the Help to Buy equity loan scheme in England and the similar schemes in Scotland and Wales. These schemes continue to provide greater access to customers wishing to take their first step into the housing market. During 2017 the Group delivered 7,682 new homes to customers who elected to use this Government sponsored scheme.

The Government continues to support the delivery of increased affordable housing on public land through the Delivery Partner Panel ('DPP'). The DPP2 framework which ended in March 2017 was replaced by the DPP3 framework which will run from March 2017 for 3 years. Whilst the Group was unsuccessful in tenders for DPP3 we will continue to explore opportunities for partnering with local authorities and other Government agencies in bringing land into development for the delivery of further growth in new home construction.

### Offsite manufacturing

The housebuilding industry in the UK has continued to experience a significantly constrained supply of both skilled tradespeople and some key materials. The Group has taken action to help solve these issues by the development of our offsite manufacturing capability.

### Space4

Homes England are focused on meeting the demand for new housing through the increased use of modern methods of construction, primarily modular build and timber frame.

The Group's Space4 business based in Castle Bromwich near Birmingham produces a 'fabric first' solution to the construction of new homes using offsite manufacturing techniques to produce timber frames, highly insulated wall panels and roof cassettes. The construction process using this system delivers high levels of thermal efficiency for the new homes built and positions the Group at the forefront of the industry with the ability to accommodate changes to building regulations that target to reduce carbon emissions and global warming in the future.

The Space4 system has supported the Group to deliver an increased number of core house types over a shorter build period. During 2017 the Group's housebuilding businesses increased their use of the Space4 system, with volumes of timber frame house kits and insulated roof systems increasing by 17% to over 6,450. Since its launch in 2001, the Space4 system has delivered over 46,000 new homes to the market and has made an important contribution to the Group's volume growth and industry leading asset turn of c. 4.7x in 2017.

We continue to investigate the further development of the Space4 build process and seek to take advantage of the Space4 system through 2018 as we look to expand production, securing benefits for the business through greater efficiencies, improved overhead recoveries and reduced unit costs. The use of the Space4 construction process continues to help improve site productivity, increase build capacity and ease resourcing pressures faced by reducing the traditional skills content required within the process.

**Persimmon Homes,  
Barley Fields,  
Alton.**

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**Space4 has delivered over**

# 46,000

new homes to the market since 2001

The Space4 factory has the capacity to increase production to support the construction of around 8,000 new homes each year. Indeed, we continue to review the opportunity to extend this capability with the growth in the Group's output and to achieve wider coverage across the UK.

### Brickworks

In 2016, after completing detailed due diligence, the Group started construction of its own factory to manufacture concrete bricks. During 2017, this construction was finished and by the end of the year the factory was commissioned with the commencement of deliveries of bricks to the Group's house building operations, underpinning the Group's ability to increase house building volumes. The factory, sited at Harworth near Doncaster, has good access to the motorway network supporting efficient logistics for delivery to Group operations and securing the availability of a key material component for our build process. The plant and manufacturing process is highly automated and is very durable with low maintenance requirements.

Brickworks is a further development of the Group's offsite manufacturing capability, delivering a consistently high quality product and will be solely focused on supplying bricks to the Group's house building operations, with capacity to manufacture c. 80 million bricks each year, approximately two thirds of the Group's current requirement. Our manufacturing process has strong environmental credentials due to the significant reduction in energy usage compared to more traditional brick manufacturing methods.

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### Tileworks

After extensive review we have taken the decision to manufacture our own roof tiles to provide improved supply. During 2018 we will establish a new roof tile manufacturing facility based at our manufacturing hub in Harworth, Doncaster. It is intended that the facility will supply the Group with concrete roof tiles across our standard house type range with a similar approach to Brickworks.

**Persimmon Homes,  
Hatton Grange,  
Worcester.**

### Brickworks manufacturing capacity

**c. 80m**

**bricks per year**  
approximately two thirds of the  
Group's current requirement

## FINANCIAL PERFORMANCE

### Profitability

As a result of further operational gains and robust land investment the Group has secured a 340 basis point increase in underlying operating margin\* to 28.2% (2016: 24.8%) for the full year. In line with our expectations, margin progress through the second half was maintained with a margin of 28.8% in the second six months (2016: 25.7%), compared to margins in the first half of 2017 of 27.6% (2016: 23.8%).

The Group continues to face challenges in achieving detailed planning consents and making a start on new sites. To mitigate these risks, over recent years we have increased our investment in the Group's capabilities to optimise the development plans for each new land parcel that we acquire. The diligence of our land and planning teams is a key ingredient in achieving the most appropriate planning consents reflecting local communities housing needs. We remain focused on opening up new sales outlets as promptly as possible. During the year 197 new sales outlets were opened (2016: 255 new sales outlets) and this has resulted in maintaining lower land cost recoveries, securing an additional 30 basis point contribution to the Group's gross margin year on year. For 2017 the value of the Group's land recoveries totalled 16.1% of sales, down from 16.4% in 2016. This improvement reflects the quality of the land we have acquired across the whole of the UK over recent years.

As we secure new planning consents and open new sales outlets we increase the coverage of the Group's core house types across all of our regional markets. This allows us to leverage further benefits from consolidated procurement and site construction activities. Operational focus remains on improving our build programme management to capture productivity gains and our site management teams, suppliers, site workers and sub-contractors have all worked extremely hard to deliver these gains during 2017. As a result we have driven a further reduction in our build and direct costs of 320 basis points to 52.6% of sales (2016: 55.8% of sales).

Having opened our new Nottingham business at the start of 2017, and our sixth new business in three years near Ipswich in Suffolk, on 2 January 2018, we continue to invest in our management teams, processes and systems to ensure sustainable growth for the Group is achieved. Given this investment and the increase in output volume in 2017, the Group's operating expense efficiency has remained in line with the previous year.

### Cash generation, net finance income and financial assets

Strong cash generation through the housing cycle is at the core of the Group's long term strategy. This will be delivered by maximising the cash efficiency of our operational activities together with exercising capital discipline whilst minimising financial risk through the cycle. The Group held cash balances at 31 December 2017 of £1,303m (2016: £913m) after generating £806m of free cash before capital returns during 2017, or 261 pence per share (2016: £681m, 221 pence per share).

The disciplined reinvestment of free cash generated remains a key strategic priority for the Group. Actual and prospective conditions in the sales and land markets will influence the level of reinvestment over the housing cycle. Market conditions, during 2017, have allowed further significant investment in work in progress to meet the demand from customers. However, we remain mindful of the risks and uncertainties to the UK economy and UK housing market that surround the ongoing process of the UK leaving the EU. The cash efficiency of our land replacement activities, expansion of our cash margins and our superior asset turn, have allowed us to invest in substantial new land holdings at a rate of c. 108% of 2017 consumption.

The Group has continued to take advantage of a supportive land market and has successfully acquired a number of attractive investment opportunities with deferred payment terms during the year. As a result the Group has extended its deferred land creditor obligations modestly to £567m at the year end (2016: £555m).

### Underlying operating margin\*

# 28.2%

(2016: 24.8%)

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Persimmon Homes,  
Forge Wood,  
Crawley.

### Free cash generation

# £806m

before capital returns

\* stated before goodwill impairment of £11.0m  
(2016: £8.0m)

This has allowed the growth of the business to be supported from operational cash flows, prior to working capital requirements, without reducing the cash resources available to shareholders. Cash inflow from operations, before working capital requirements, totalled £997m in 2017 (2016: £800m).

Following strong cash inflows from customers the carrying value of the Group's outstanding shared equity loans, reported as "Available for sale financial assets", has reduced during the year by £32m to £117m (2016: £149m). The carrying value of these receivables has been reviewed by the Board which has concluded that the value is appropriate.

Net finance income for the year was £11.0m (2016: £4.3m). Included within this is £15.2m of imputed interest generated on the Group's shared equity receivables (2016: £15.9m) and £10.2m of imputed interest payable on land creditors (2016: £12.0m).

The delivery of the Capital Return Plan depends upon the cash efficiency of our business processes along with strong capital discipline. We remain confident that our current operational approach will support the execution of our long term strategy and is reflected in the 31% increase in the rate of return on average capital employed\* in the business to 51.5% (2016: 39.4%). The significant increase in the Capital Return Plan demonstrates the Board's ongoing confidence.

### Land and construction

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

This shareholder value is created by securing high quality returns from acquiring high quality replacement land and is a key focus of each of our 30 regional house building operations.

We continue to invest in the Group's land and planning teams across the UK, enhancing the skills and expertise of these regional teams. Significant value is created through the identification of compelling land acquisition opportunities in the short term land market and for strategic land investment and by optimising our development schemes and by bringing them into production as promptly as possible. The strong profits and cash generated by the business serve to confirm the quality of the land investments made by the Group together with the expertise of the management team.

Our strategy remains to adjust the Group's forward owned and controlled land bank to reflect prevailing and prospective conditions in the sales and land markets judged in the context of the evaluation of the near term, and longer term, outlook. The anticipated future growth of the business and further disciplined investment in replacement land will continue to secure the required capital efficiency of our land holdings.

During the year 17,301 new plots of land were acquired. At the year end the Group owned 77,067 plots of land. Of these owned plots, 52,585 had an implementable detailed planning consent providing c. 3.3 years of forward supply at 2017 output volumes. These plots will provide support to each of our regional operations as they seek to achieve a sustainable market share. Our land and planning teams continue to work hard to secure implementable consents on the remaining plots.

The Group has also entered into conditional contracts for an additional 21,378 plots which we are actively promoting through the planning system.

The carrying value of the Group's land assets at 31 December 2017 was £2,011m, £65m higher than the prior year (2016: £1,946m).

Investment in strategic land and its successful promotion through the planning system is a key driver of the success of our business model. In 2017 we acquired interests in a further c. 920 acres of strategic land and we converted 8,296 plots of land from our strategic land portfolio, representing c. 52% of the Group's land consumption.

The consistent application of the National Planning Policy Framework through 2017 has ensured that improvements in land availability continued, underpinning the industry's confidence to invest further in the land and work in progress required to support an increase in the supply of new homes. We are focused on delivering these high quality sustainable development opportunities, fulfilling all specific planning requirements to enable the Group to achieve a detailed implementable planning consent as quickly as possible. We are confident that our strategic land portfolio of c. 16,100 acres will, in due course, yield in excess of 100,000 forward plots for future development by the Group and will provide local communities with the opportunity to meet their housing needs.

The carrying value of our work in progress at 31 December 2017 of £724m was £107m higher than the prior year (2016: £617m). The Group continues to focus on improving build programmes and investing in infrastructure on opening new sites, supporting the prompt and efficient delivery of new homes across all sites where we have an implementable detailed planning consent.

The Group entered 2018 with a strong work in progress position which will provide support to our construction programmes on our existing sites. The Group's investment in work in progress at the year end represented 21% of 2017 sales, an industry leading asset turn. The Board expect substantial additional investment will be made in work in progress during 2018, supporting the Group's future growth, and we will continue to convert our work in progress as swiftly as possible over future periods to minimise operational and financial risks.

## FINANCIAL PERFORMANCE

continued

Using consistent principles to prior years the Board has reviewed the net realisable value of land and work in progress at 31 December 2017. The Board concluded that the carrying value of land and work in progress was appropriate. At the year end the Group retained an impairment provision of £41.9m (2016: £48.5m) which is considered adequate to address the potential impact of current market uncertainties on future revenue and direct costs for the relevant sites.

### Shareholders' equity, treasury policy and related risks

Delivering sustainable shareholder value over the long term and returning surplus capital to shareholders are key priorities for the Group. Our long term strategy is based upon the disciplined investment of capital in land and work in progress at the appropriate points in the housing cycle. This supports the development of the business over the longer term whilst securing a strong financial position to mitigate the financial risks associated with the housing cycle.

The Board's commitment to exercise capital discipline through the housing cycle and return surplus capital to shareholders was reflected in the Director's decision on 24 February 2017 to increase the Capital Return Plan to £9.25 per share, c. £2.85bn, a 49% increase over the original Capital Return Plan. This has been reinforced further with the announcement today that the Board has increased the Capital Return Plan to c. £4.1bn, or £13.00 per share.

Further instalments under the Capital Return Plan of £77m, or 25 pence per share, and £1.10 per share, or £339m, were paid as dividends for the 2016 financial year, to shareholders on 31 March 2017 and 3 July 2017 respectively.

The Group's total retained profits after tax for the year were 26% higher than last year at £786.9m (2016: £625.3m). The Group's retained earnings were added to by an after tax remeasurement gain of £18.4m associated with the Group's pension scheme asset of £67.7m and by share based payments of £72.5m.

The Group's total net asset value for the year ended 31 December 2017 increased 17%, or £465m, to £3,202m (2016: £2,737m). Net assets per share increased over the prior year by 17% to 1,036.6 pence (2016: 887.3 pence) and cash balances held at the year end increased by £390m and totalled £1,303m (2016: £913m).

We continue to focus on generating strong liquidity. The Group maintains revolving credit facilities which will only be used to support short term seasonal working capital needs of the business. The operational plans of the Group will be delivered by the generation of strong annual after tax earnings, management of the Group's equity, debt and cash management facilities, together with changes to planned shareholder capital returns. 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.

The Group maintains a £300m Revolving Credit Facility with its five relationship banks. During the year the Group extended the maturity of the revolving credit facility to 31 March 2022.

### Capital Return Plan increased to

# c. £4.1bn

or £13.00 per share to 2021

### Retained profit after tax

# +26%

on prior year

### Cash

# £1,303m

(2016: £913m)

## CORPORATE RESPONSIBILITY

The Board is accountable for the governance of the Group's corporate responsibilities and sets the structure for their effective management. The Board sets the Group's sustainability strategy as part of its overall business strategy. Our Corporate Responsibility (CR) Committee is responsible for reviewing, monitoring and evaluating sustainability performance within our business and for providing feedback and suggestions to the Board. CR Committee membership is drawn from all parts of the Group's operations. This helps to maintain clear alignment with the Group's strategy and also helps the effective communication of our sustainability strategy.

Our Sustainability Policy outlines five key principles relating to 'Our Customers', 'Our People', 'Our Wellbeing', 'Our Environment' and 'Our Communities'. These principles help us to ensure our business is responsible and sustainable. Detailed information on our approach to Corporate Responsibility, including our progress in 2017, objectives for 2018 and our stakeholder engagement matrix can be found in our 2017 Sustainability Report available at [www.persimmonhomes.com/corporate](http://www.persimmonhomes.com/corporate).

**Persimmon Homes,  
St. Edeyrn's Village,  
Cardiff.**

Image removed

### Our Customers

We aim to help to address housing need by building a range of homes to suit different customers in locations across the UK. We focus on offering new homes for our customers at lower price points providing a comprehensive range of selling prices, with an emphasis on first time buyers and first time movers. Indeed, our average selling price during 2017 was £213,321 with just under 45% of our private sales being delivered at prices below £200,000. The market average UK house price was c. £227,000 in December 2017\*. The Government's Help to Buy shared equity loan scheme is continuing to enable greater access to the owner occupier market, principally for first time buyers, by supporting the purchase of a newly built home with a 5% deposit. In October 2017 the Government announced a further £10bn of funding for this scheme. 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 we sold 7,682 new homes to customers who secured a Help to Buy mortgage. The recent cut in stamp duty by the Government in November 2017 may also provide support for first time buyers to enter the market.

Delivering good quality new homes with a high standard of customer service is a priority for the Group. We focused on three areas in 2017 which were; to maintain high build quality with the increase in production; to improve the service we deliver to customers in the month after they move into their new home and to continue to improve communications regarding the date a customer's new home will be ready.

Although we have increased our build numbers significantly in recent years, our quality control procedures and increased use of standard house types have helped to maintain our build quality.

In addition, we have improved our processes and systems to identify report and monitor the resolution of any remaining issues in the few weeks after a customer takes possession of their new home. We monitor how quickly any issues are dealt with and we have introduced an escalation policy for any matters not resolved within required timescales. This provides management greater visibility of the service we are providing to our customers. In response to feedback from our customers, we have introduced maintenance appointments at weekends and "out of hours" opening of customer care departments.

As customers often reserve their new home many months before it is completed, one particular area of importance is having an accurate move-in date. We have continued to improve our communications to customers on the expected completion date of their property, in order that they are better able to plan for their move.

Our customer care initiatives have resulted in continued improvement in our rating scores in the HBF National New Homes Customer Satisfaction Survey. Our score in relation to the question 'Would you recommend Persimmon to a friend?' has increased to 79.1% for 2017 (2016: 74.6%). This is just below the 80% required for the HBF to rate us a four star builder. We will continue to focus on improving our customer care during 2018. Customer care performance conditions will continue to be included in performance related pay for relevant employees aligning their interests with this focus on customer care.

During 2018 we will remain focused on continuing to deliver tangible improvements in our customer satisfaction ratings in particular by focusing on site staff induction training to cover all customer care processes and continuing to offer a more flexible service to customers.

\* Source: ONS

## CORPORATE RESPONSIBILITY

### continued

#### Our People

It is important to the success of our strategy that we have a highly skilled and diverse workforce. The right skills to buy land, plan our developments, build quality homes and provide good service to our customers are essential. Our merit-based culture is an important part of the Group's growth and success as it supports the wellbeing and career aspirations of our workforce and rewards them for the Group's success.

A major challenge for the Group remains ensuring we have a steady and stable supply of skilled labour to support the delivery of our new homes. The tight labour market for housebuilding skills is experienced across the industry. We continue to invest in systems and processes to build the skills base of the business.

Our workforce has continued to grow to support the expansion in the number of homes we build. The Group employed 4,713 employees at 31 December 2017 (2016: 4,483). Our strengthened selection, engagement, induction and training processes provide opportunities for all our staff to fulfil their responsibilities to the best of their ability. Persimmon has a long established tradition of promoting from within the business wherever possible and our growth has provided opportunities for a number of our staff to take on greater responsibilities and develop their career with us.

**Brickworks,**  
Harworth.

We are continuing our commitment to graduate, trainee and apprentice recruitment which has been augmented this year by recruitment of diploma students from colleges, some of whom joined us as part of our commitment to the Home Building Skills Partnership (see below), enabling us to maintain our supply of new skilled talent onto our sites. We have also engaged a number of Apprentice Masters in many of our operating businesses to provide on-site guidance and training to our new recruits to enable them to make a smooth transition from college to the working environment. The Group currently employs c. 580 trainees and apprentices. Combat to Construction, our initiative to utilise the skills and knowledge of former members of the UK's armed forces continues to develop. We currently have 127 employees on the Combat to Construction programme, of which 73 have successfully completed their training. The quality of the Combat to Construction programme and the career opportunities we are able to offer continue to be recognised by the Ministry of Defence and in 2017 we were re-awarded with the ERS Silver Award.

The Group is committed to playing a full and active role in the Home Building Skills Partnership, a joint initiative between the Construction Industry Training Board (CITB) and the Home Builders Federation which aims to train over 40,000 new tradespeople by 2019 to help address the skills shortage that presents such a key challenge to expanding output by the industry.

In 2017 we became a signatory to the Home Building Skills Pledge, which contains specific commitments relating to industry collaboration, training standards, diversity and inclusion and promoting careers in the sector.

We believe that all employees and subcontractors can perform to their full potential with the right support and training. We have maintained our training commitment for our workforce across all disciplines in our business, including IT, health and safety and sales. We provided over 10,600 training days (excluding apprenticeships) to employees and our construction workforce in 2017 (2016: c. 10,500) an average of 2.3 days per employee (2016: 2.3).

We consider that a diverse work force will support the delivery of the Group's strategy. As at 31 December 2017 we employed 4,713 people, 25% of which were female (2016: 4,483, of which 25% were female). We had two female and six male directors on the Company's Board and 19 female colleagues in our 144 strong senior management team. In 2017 the Group was reaccredited by Innovatec AS at the Silver Level for our approach to equality, diversity and inclusion in Employment and Customer Service.

We demand the appropriate levels of conduct from all of our stakeholders, including our employees in all of our operations. We value our reputation for ethical behaviour, integrity and reliability. We have Human Rights and Anti Bribery policies, a code of Ethics and a Modern Slavery Statement, which are all available on our website at [www.persimmonhomes.com/corporate](http://www.persimmonhomes.com/corporate).

As we are a UK housebuilder and the vast majority of our sub-contractors and suppliers are also UK based, we do not consider that human rights abuses and modern slavery represent a significant risk to our business. However, we have appropriate procedures in place to provide assurance that our employees and suppliers are working to the high standards we demand. During 2017 we reviewed our Modern Slavery Risk Assessment and considered that further interrogation of our supply chain

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was appropriate. We are conducting a supplier due diligence survey to further improve awareness within our supply partners.

We have identified the most significant potential human rights impact areas to be; the labour and employment rights of our employees, subcontractors and those working within our supply chain; the health and safety of our workforce and the rights of communities where we undertake our developments. As a responsible employer, we are committed to compliance with all UK labour, health and safety, planning and environmental legislation.

Staff are given details of the Group's Anti-Bribery policy and management reinforce the adherence to our policies and procedures. In addition we have whistleblowing facilities to ensure employees and others can raise concerns confidentially.

### Our Wellbeing

The wellbeing, including health and safety of our employees, supply chain workforce, and others, including customers who are affected by our work activities is a top operational priority for the Group.

The Board 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 to support Operational Management at Group, Regional and Operating Business level. The Health and Safety team under the direction of our Group Health and Safety Director has considerable experience in providing both a pro-active advisory and reactive incident led approach to identify and mitigate health and safety risk.

Pre-start and ongoing planning of construction activities as our sites progress is undertaken by our management as they strive to achieve and maintain high levels of health and safety performance. This includes confirming the competency levels of individuals through the Construction Skills Certification Scheme and organisations via the Safety Schemes in Procurement.

The Group Health and Safety Policy provides additional guidance for our management teams and in 2017 a particular focus was on improving the sharing of best practice across the Group with the aim of ensuring the requirements of this guidance are uniformly applied across our sites at each stage of the construction process. This was achieved by the delivery of both Senior Management briefings and "Effective Leadership and Management" Training for Operating Business Project Managers to enhance their skills to plan, manage, monitor and review health and safety issues.

In addition, the presentation of site inspection findings was enhanced during 2017 to enable our Operational Management to better interrogate specific health and safety KPI performance criteria and improve monitoring and review of health and safety issues.

During 2017 we reported 49 construction work related incidents in our housebuilding operations to the Health and Safety Executive under the Reporting of Incidents Diseases and Dangerous Occurrences Regulations (RIDDOR). This was 2 more than the previous year (2016: 47) however due to the increase in production we improved the level of build per RIDDOR, completing 330 legal completions per RIDDOR (2016: 327). The RIDDORs per thousand workers remained similar to last year at 3.62 accidents per thousand workers (2016: 3.59).

### Greenhouse Gas Emissions

tonnes CO<sub>2</sub>e

|                                                                      | 2017   | 2016   |
|----------------------------------------------------------------------|--------|--------|
| Scope 1 emissions from gas, transport and construction site fuel use | 26,870 | 28,047 |
| Scope 2 emissions from electricity use                               | 3,960  | 4,552  |
| Total greenhouse gas emissions                                       | 30,830 | 32,599 |
| Greenhouse gas emissions per home sold                               | 1.92   | 2.15   |

### Our Environment

We are committed to managing the direct and indirect impacts that our operations and new homes have on the environment. We identify all major environmental risks that we face in both the short and long term and 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. Further information can be found in our policies, including our Environment Policy, Waste and Resource Management Policy and Climate Change Position Statement which are available on our corporate website at [www.persimmonhomes.com/corporate](http://www.persimmonhomes.com/corporate).

We monitor our own operational efficiency and direct environmental impact in a number of ways including measuring our greenhouse gas emissions (CO<sub>2</sub>e) and the amount of waste that we generate and recycle for each home we build. Last year we set ourselves a target to reduce the intensity of our carbon emissions by 10% from 2016 to 2025. The target excludes our brick manufacturing plant as it was not operational in 2016. We have collated data captured across the Group and from our suppliers to identify the amount of energy used in our own operations in 2017. 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. A summary is set out in the table below:

## CORPORATE RESPONSIBILITY

### continued

The amount of CO<sub>2</sub>e per home sold in 2017 represents a c. 10% decrease on the prior year and we have therefore already achieved our carbon reduction target. There are a number of factors which have contributed to this result including a c. 13% reduction in the purchase of diesel by the Company, in part due to a reduction in the number of employees electing to use a company fuel card. In addition, there has been a c. 1% decrease in red diesel consumption on site which has been achieved through the use of more efficient and appropriately sized plant. These reductions, together with a 15% reduction in the emissions conversion factor for grid electricity have reduced the intensity of our emissions.

We will continue to monitor our energy use with the aim of pursuing actions to reduce our energy costs and minimise consumption where possible. Given that our carbon reduction target has been achieved far quicker than we originally anticipated and partly through measures which are beyond our control we have reset our target to reduce the intensity of our carbon emissions by 10% from 2017 to 2026, on a like for like basis.

In 2017, we again participated in the CDP, formerly the Carbon Disclosure Project, climate survey and our rating improved to C (Awareness) from D (Disclosure) in 2016. This survey requests information on climate risks and low carbon opportunities from the world's largest companies. By sharing information in this way we aim to demonstrate the importance we attach to the challenges posed by climate change and how we are addressing these issues, both at a strategic and operational level.

During 2017 the percentage of waste we recycled remained broadly similar to 2016 at 92% (2016: 93%) thereby minimising the amount of waste sent to landfill despite the amount of waste per home built increasing to 7.25 tonnes (2016: 6.6 tonnes). We are investigating the key reasons for the rise in waste per home built with a view to identify further opportunities for reduction.

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. We are particularly pleased that our new Brickworks at Harworth near Doncaster has started to supply concrete bricks to the Group's operating businesses, underpinning our ability to increase housebuilding volumes. The plant is one of the most advanced in the UK with the potential to produce around 80m bricks each year, which is around two thirds of our current requirement. The manufacture of concrete bricks uses significantly less energy than the firing process of manufacturing clay brick, producing c. 100 kg less CO<sub>2</sub>e per tonne of bricks. Concrete bricks are also an absorber of CO<sub>2</sub>e due to the re-carbonisation properties of concrete. This further reduces the net CO<sub>2</sub>e emissions of the concrete brick over the course of its life.

The direct and indirect environmental benefits of Space4's timber frame build system are considerable. The highly insulated wall panels and roof cassettes have strong sustainability credentials which produce benefits for our customers including enhanced air tightness and acoustic performance and reduced energy costs. Using Space4's modern method of construction supports the delivery of an average energy efficiency for the Group's new homes as measured by the Standard Assessment Procedure ('SAP') of 83, which is around 40% more energy efficient than existing housing stock which has an average SAP rating of around 60.

In addition to the benefits for our customers there are additional benefits for the Group. The frame build system helps to achieve a more consistent build quality and a more streamlined construction process. This enables Space4 houses to be built over a reduced timeline compared to traditional brick and block houses and allows the Group's bricklaying resource to be more efficiently utilised. The process is also less susceptible to delays caused by adverse weather conditions and uses less heavy machinery helping us to reduce our greenhouse gas emissions.

### Our Communities

We believe that close collaboration with planning authorities and engagement with local communities is intrinsic to the delivery of much needed new housing and the creation of successful and sustainable developments. By understanding local needs we can refine our plans and ensure the right mix of properties is constructed.

Our land replacement processes focus on acquiring new land in attractive locations where demand for homes is high. These sites give customers access to a full range of services and variety of house types aligned to local need. The Group's developments are designed to promote social inclusion, incorporating housing for families with a broad span of incomes. In 2017 we provided 2,769 homes, or £321m of housing, to housing associations and a further 236 homes or £27m of housing to private customers using Discounted Market Sales Housing. Discounted Market Sales Housing is sold at a discount of around 20-30% below the local market value. The discount stays with the property in perpetuity and these homes can only be purchased by customers who meet eligibility criteria established by local councils. We provided 3,005 homes, or £348m of affordable housing, for lower income families (2016: 2,448 houses or £262m).

Through the drive for excellence in planning and delivering our development plans we have the opportunity to create places where our customers want to live and work. We seek to engage the local community actively in the development and planning process, from consultation and feedback through the planning journey with continued communication of the development's progress.

We understand that the process of development and the consequences of investment decisions have a lasting effect upon local communities. The delivery of new homes comes with the responsibility of ensuring that the impact upon the lives of new and existing residents is understood and mitigated. Under the planning process, we invest in local communities in many forms, such as parks and public open space; education provision, community buildings and roads and other infrastructure, either through direct construction or through financial contributions to local authorities. During 2017 we contributed over £64m to local communities (2016: £65m) through planning contributions to local authorities. Of the money contributed over £20m related to education provision and £8m related to affordable housing provision.

We have several thousand suppliers to our business all of which are assessed on a number of factors such as quality, cost, availability and sustainability credentials and all of which are expected to sign up to our Supplier Principles. Where possible we aim to source locally. We directly engage with our largest suppliers in order to collaborate for mutual benefit. Through our engagement we work with suppliers, particularly those with whom we have long term relationships, to develop more sustainable ways of trading, for example through fewer deliveries and less packaging.

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We are pleased to report that the Persimmon Charitable Foundation made £748,842 of donations in 2017 to local community groups and good causes and to local sporting organisations. The Foundation continued our Community Champions initiative, which provides funding for numerous small charities and voluntary organisations at the heart of the communities we serve. This initiative is now well into its fourth year and since the beginning of the campaign we have made donations to c. 2,000 charities and local good causes in the communities we serve across the UK. Charities apply to the Persimmon Charitable Foundation (via our website [www.persimmonhomes.com/charity](http://www.persimmonhomes.com/charity)) for funding support up to a value of £1,000 to match their own fundraising initiatives. Each of our operating businesses has the opportunity of supporting two applicants every month.

#### Healthy Communities

Junior Heywood football team, Roach Dynamos, received a donation from the Healthy Communities campaign.

In addition, the Persimmon Charitable Foundation launched its Healthy Communities campaign in May 2017. Each of our operating businesses made a monthly donation of £750 to a local sports club or association particularly aimed at amateur sport for young people aged under 21. In January 2018, each business nominated three of the clubs who had applied for funding from launch to be chosen for the list of 30 finalists who will compete to receive a top prize of £200,000. The winner will be the organisation which receives the most votes from the general public. Two runners up will receive £50,000 each and the other finalists will receive £5,000 each. The winner will be announced in March 2018.

The Group made donations of £601,092 to the Persimmon Charitable Foundation during 2017 and £63,500 to other good causes.

## CURRENT TRADING OUTLOOK

We have made an encouraging start to 2018 with good levels of visitors to our development sites over the first eight weeks of the year with the usual strengthening in activity being evident. The level of interest on our Persimmon and Charles Church homefinder websites is strong. The market is benefiting from higher levels of employment and resilient consumer sentiment supported by interest rates which remain low. Our private sales reservation rate per site for the first eight weeks was 7% ahead of last year.

The encouraging start to the year together with the Group's performance through the 2017 autumn sales season has delivered a 7.5% year on year increase in current forward sales (including legal completions taken in 2018 to date) to £2.03bn (2017: £1.89bn). Our private sales reservation volumes in our forward sales are 5.7% ahead of last year.

We believe the Group's offer of attractively designed core house types at affordable price points on developments that have layouts which provide a full range of products to all customers with an emphasis on first time buyers and first time home movers places the Group in a strong position in its local markets moving forwards.

Whilst conditions in the new build housing market remain supportive, the negotiations associated with the UK's exit from the EU, including both the transitional arrangements and the terms of the longer term relationship, together with the nature of UK's trading relationships with its other global partners, present key uncertainties that will have a substantial influence on market outcomes. However, with a long term unfulfilled demand for housing, we believe that UK fundamentals remain strong. We will continue to focus on meeting this demand by opening as many new development sites as promptly as possible and driving our construction programmes forward.

The sustainability of the UK housing market will be achieved in part by the continued vigilance of the Bank of England in maintaining disciplined lending practices. The Financial Policy Committee's guidance and direction to lenders together with the Bank's monetary policy settings and the Government's fiscal policy measures, will all contribute to influence conditions in the market. Greater sustainability and stability will provide the industry with the confidence to continue to invest in skills, land and new home construction to maintain the expansion in output that the country needs.

During 2018 we will concentrate on retaining flexibility to react to changes in market conditions with our replacement land activity continuing to target superior returns. The Group continues to see good quality opportunities in the land market which will encourage us to invest at appropriate levels to support our future growth towards optimal sustainable scale in our regional markets. We are working hard in partnership with the planning authorities to identify opportunities for our strategic land to form part of their five year plans for meeting the housing needs in their local communities. The Group's strong balance sheet provides a great platform to secure the right level of investment in support of the future growth of the business.

As a result of the hard work and dedication of the whole Persimmon team the performance of the Group in 2017 has been excellent. The Board is confident that the Group will thrive by pursuing the current strategy and seeking continual improvement in operational execution. We are confident that this team has the skills, drive and vision to deliver the Group's strategic objectives and we thank all our employees and supply chain partners for their contribution to the Group's success.

Jeff Fairburn  
Group Chief Executive  
26 February 2018

Mike Killoran  
Group Finance Director



**DIRECTORS' REPORT – ACTING CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE**

# Maintaining good Corporate Governance

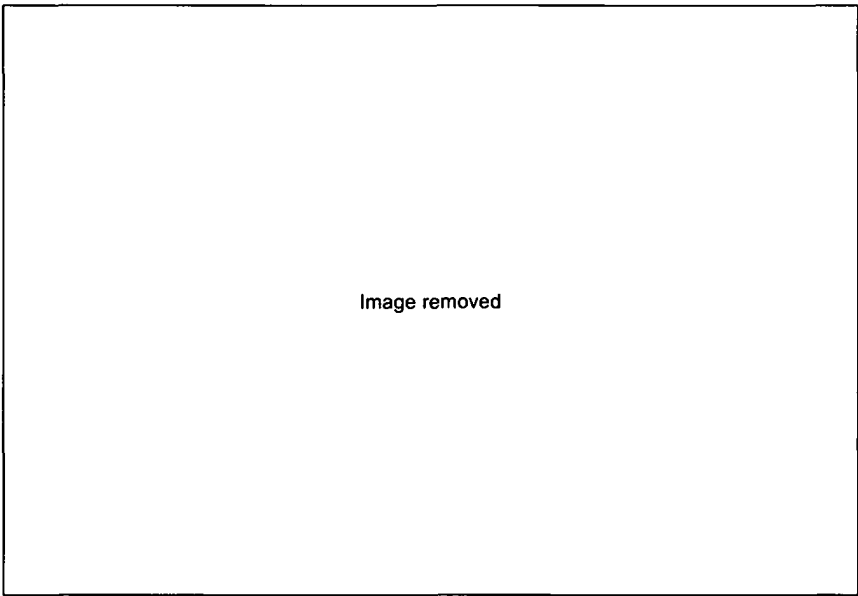


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Having been a member of the Board since April 2015 I am aware of the high standards of governance the Board sets. We continue to ensure that our strong governance procedures are built upon and evolve as the governance agenda changes. I can confirm that the stewardship and good governance of our Company remains a high priority for the Board.

We appointed Simon Litherland as an independent Non-Executive Director on 3 April 2017. As Chief Executive Officer of Britvic Plc, Simon has excellent experience in a consumer facing industry, which we believe adds to and complements the experience of the other members of the Board.

The Remuneration Report sets out details of the Group's Long Term-Incentive Plan which was approved by shareholders in 2012. As is explained in more detail in the Report, the absence of a cap on potential payments led our Senior Independent Director and Remuneration Committee Chair Jonathan Davie and our Chairman Nicholas Wrigley to tender their resignations on 14 December 2017.

I was appointed Senior Independent Director on that date, becoming Acting Chairman on 26 February when Nicholas stepped down from the Board. My immediate priority is to lead the process to appoint the next Chairman.

The Board understands the importance of setting the right culture for the Group. One of the ways we ensure that the Board's strategy and its requirements for excellence and good governance are instilled into the culture of our business is through regular communications with our senior staff. The Executive Directors and the Chairman regularly meet with operational management teams and staff across our 30 operating businesses.

The Board's standards and values for integrity and honesty are set out in our corporate policies. The policies are approved by the Chief Executive, to highlight to all employees the importance to the Board of high levels of governance and business conduct.

There is a Managing Director and senior management team at each of our operating businesses. The local management team have a level of autonomy, within the strategy set by the Group. Regional managers below board level receive performance related pay directly linked to the performance of their local operating businesses.

## DIRECTORS' REPORT – ACTING CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE

continued

In this way we encourage the local management teams to manage and take pride in the success of their own operating business, but within parameters and controls set by the Board. We believe that this approach creates a culture that motivates and 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 the Chairman and the Chief Executive and often include other non-executive members of the Board. This is 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. We consider the informal setting is conducive to open communication between management and the Board.

We were particularly pleased when opening the Nottingham business in 2017 and the Suffolk business in January 2018 that many members of the new teams were already employees within the Group. These openings provided an opportunity for a number of employees to progress in their career and help the Group to ensure that our culture is instilled in new operating businesses from the start. The Executive Directors integrate succession planning into their regular visits to the operating businesses.

This enables suitable candidates to be identified at an early stage in order that we have sufficient candidates for senior roles. We plan to increase our focus further on this issue in 2018.

The Nomination Committee reviews succession planning for senior management and the Board. The Nomination Committee considered at length the potential impact of the vesting of the 2012 LTIP. In June 2017 a review undertaken in conjunction with the Executive Directors included an individual assessment of each of the 133 participants. The Committee noted the Executive Directors' opinion that a small number of the senior management team below Board level may decide to leave the Group once options have vested in July 2018, a conclusion reconfirmed with minimal adjustment when the exercise was updated and repeated in February 2018. These are largely members of the team who the Executive Directors believe are at or close to retirement.

The Board regularly communicates with shareholders. As well as the regular scheduled meetings, we held a first Corporate Governance Dinner in 2017 with the Governance representatives of our major shareholders. We also consulted with shareholders on the new remuneration policy which we put to shareholders at the AGM last year. We have engaged extensively with our larger shareholders in relation to the 2012 LTIP, ensuring particularly in 2018 that their views have been shared with, and fully discussed by, all members of the Board.

Finally, I am pleased to report that the Company has complied with the UK Corporate Governance Code 2016 throughout 2017.

### Nigel Mills

Senior Independent Director and Acting Chairman

**DIRECTORS' REPORT – OVERVIEW****Key sections within the governance section****LEADERSHIP & EFFECTIVENESS**

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**Our Board, structure and activities**

Since the launch of the Board's strategy in 2012, the Group's performance has been excellent.

During 2017 the Board again placed particular focus on:

- review of the Company's current strategy and its commitment to shareholders under the Capital Return Plan;
- maintaining a high quality skilled workforce;
- measures to drive improvements in build quality and customer care;
- the vesting of awards under the Company's 2012 Long Term Incentive Plan;
- the health and safety of our employees subcontractors and visitors; and
- review of the Group's risk register and systems of internal financial control.

**Read about the structure, role and activities of the Board**  
See pages 48 – 53

**ACCOUNTABILITY**

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**Report from the Audit Committee**

During 2017 the Audit Committee:

- evaluated the performance of the external auditor;
- reviewed the Group's Viability Statement, Principal Risks and Risk Register;
- assessed the significant financial issues facing the Group and the key risks of misstatement of the Group's financial statements; and
- reviewed the annual report and the half year report and related regulatory announcements.

**Read our Audit Committee report**  
See pages 54 – 58

**REMUNERATION**

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**Oversight of executive remuneration**

During 2017 the Remuneration Committee:

- finalised the revised Remuneration Policy which was approved by shareholders at the 2017 AGM;
- considered the vesting of awards under the Company's 2012 Long Term Incentive Plan; and
- made certain other adjustments to near term remuneration for Executive Directors; no Board member will receive a salary/fee increase for 2018 and no bonus awards will be made for 2018.

**Read our remuneration report**  
See pages 62 – 79

## DIRECTORS' REPORT – BOARD OF DIRECTORS



The stewardship and good governance of our Company remains a high priority for the Board”

**Nigel Mills**  
Senior Independent Director  
and Acting Chairman

Image removed

### Nigel Mills

Senior Independent Director and Acting Chairman (age 62)

**Date of appointment** 4 April 2016

#### Committee membership

Acting Chairman of the Nomination Committee and a member of the Remuneration Committee.

#### 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.

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### Marion Sears

Non-Executive Director (age 55)

**Date of appointment** 8 January 2013

#### Committee membership

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

Trustee of the Persimmon Charitable Foundation.

#### 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 financial background and current involvement in both the consumer and investment industries enable her to provide sound advice and judgement on the implementation of the Company's strategy.

Image removed

### Jeff Fairburn

Group Chief Executive (age 51)

**Date of appointment** 1 June 2009

#### Committee membership

Chairman of the Risk Committee.

Trustee of the Persimmon Charitable Foundation.

#### 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 33 years' experience in the construction industry, 29 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

### Rachel Kentleton

Non-Executive Director (age 49)

**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.

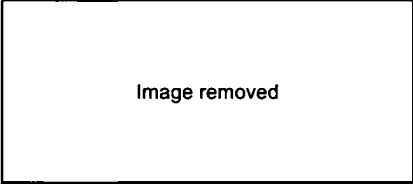


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### Mike Killoran ACA

Group Finance Director (age 56)

**Date of appointment** 4 January 1999

**Committee membership**

Member of the Risk Committee.

Trustee of the Persimmon Charitable Foundation.

**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.



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### Dave Jenkinson

Group Managing Director (age 50)

**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 over 20 years. He has particular strengths in land buying and development and is a qualified town planner.

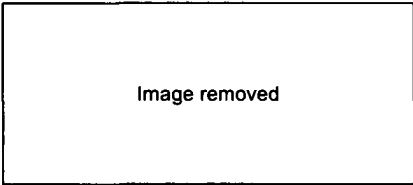


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### Simon Litherland

Non-Executive Director (age 53)

**Date of appointment** 3 April 2017

**Committee membership**

Member of the Audit, Nomination and Remuneration Committees.

**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 which will be valuable to the development and implementation of the Company's strategy.

## DIRECTORS' REPORT – CORPORATE GOVERNANCE STATEMENT

### Leadership and effectiveness Board composition

The Board currently comprises seven Directors, our Senior Independent Director and Acting Chairman, three Executive Directors and three Non-Executive Directors, women comprise 29% of the Board. The Executive Directors have all worked for the Group for over twenty years and have extensive housebuilding experience in differing market conditions. The Executive Directors are supported by independent Non-Executive Directors with wide-ranging experience. Nigel Mills, Senior Independent Director and Acting Chairman will lead the process to appoint a new Chairman.

Nigel has been a Director of the Company for just under two years. He has extensive experience of corporate governance, financial markets and shareholder views from his 30 year career advising quoted companies.

Jeff Fairburn has been Chief Executive for five years and has worked for the Group since 1989. Jeff has strong leadership skills which enable him to effectively direct and manage the delivery of the Group's strategy. He has extensive housebuilding experience, having previously held a number of senior operational positions within the business including as Chief Executive of the Group's then North Division and also as Group Managing Director.

Dave Jenkinson, Group Managing Director has extensive housebuilding experience, particularly in the land market. Dave has also held senior operational positions within the Group prior to his appointment to the Board, including Managing Director of the North East operating business and as a Regional Chairman. Mike Killoran has been the Group's Finance Director for the last 19 years and he has very strong finance and housebuilding operational experience.

The Non-Executive Directors have complementary skill sets bringing substantial and diverse experience to the Board. Marion Sears has extensive experience in banking and retail markets. Rachel Kentleton has 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. Simon Litherland has extensive executive experience of consumer facing industries, having worked at Diageo Plc for over 20 years and in his current role as Chief Executive Officer of Britvic Plc.

There is a clear, written division of responsibilities between the Chairman and the Chief Executive, which is approved by the Board. The experience, diversity and personal characteristics of the Directors create a balanced Board; the Non-Executive Directors have the skills to support the Executive Directors in delivery of the Group's strategy and to challenge when appropriate.

The Board has a formal schedule of matters reserved for its consideration and decision, which is reviewed annually by the Board. 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.

### Board and Committee changes

Simon Litherland joined the Board as a Non-Executive Director on 3 April 2017. He was appointed to the Audit, Nomination and Remuneration Committees on the same date. On 14 December 2017 Nicholas Wrigley announced his intention to resign as Chairman and Jonathan Davie resigned from the Board recognising that the 2012 LTIP could have included a cap.

As a result, Nigel Mills was appointed the Senior Independent Director and Marion Sears became Chairman of the Remuneration Committee, both with effect from 14 December 2017. Nicholas Wrigley resigned on 26 February 2018 and Nigel Mills became Senior Independent Director and Acting Chairman.

### Key actions of the Board

The Board met on seven occasions in 2017, including its annual strategy meeting. There was full attendance by all Directors at all Board and Committee meetings during 2017 except that Nicholas Wrigley and Jonathan Davie did not attend one Nomination Committee meeting, see page 52.

The Board continued to review the Company's current strategy and its commitment to shareholders under the Capital Return Plan. Full details of the strategy are set out in the Strategic Report on pages 12 to 14. The implementation of the Board's strategy and policies are delegated to Executive Directors and senior management within the Group.

The Board also considered the vesting of awards under the Company's 2012 Long Term Incentive Plan, further information can be found in the Strategic Report on pages 4, 23 and in the Remuneration Report.

There was particular focus by the Board during 2017 on maintaining a high quality skilled workforce to support the growth of the business. The Board also maintained its 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 safe environments. Build quality and customer care remain a high priority for the Board. During 2017 we continued to focus on the quality of our build particularly with the drive to increase production over the last few years. Further information can be found on pages 28 and 35.

The Board also undertook its annual 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 General Election result in June 2017 and the UK's ongoing negotiations to leave the EU. Further information is set out in our Principal Risks on pages 25 and 26 in the Audit Committee Report on pages 54 to 58.

### 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 diversity of gender, age, educational and professional background, can bring to the Board.

When considering the 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. The Group has a Diversity Policy, its objective is to ensure that appointments are made on the basis of merit and sustainability taking into account diversity, including gender. There are no specific targets for levels of diversity for the Board or for the Group as a whole.

During 2017 the Group participated in the Hampton Alexander Review survey and as at 30 June 2017, 13.3% of executive committee members were female (2016: 6.6%) and 12.7% of direct reports to the executive committee were female (2016: 12.3%).

The Board considers all of the Non-Executive Directors to be independent. Nigel Mills is a Senior Advisor at Citigroup Global Markets. Citigroup, whilst one of Persimmon's two brokers, is not a financial advisor to the Company and has received no remuneration from the Company for more than nine 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 in 2016, 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 2017.

### Re-election of Directors

Each of the Directors will stand for re-election by shareholders at the forthcoming AGM.

The Board supports the re-election of all of the Directors. It considers that the Executive Directors have the skills and experience necessary to manage the business and deliver the Group's strategy and the Non-Executive Directors have the right breadth of skills and diversity to support and challenge where necessary the Executives. Each of the Non-Executives has individually shown a high level of independence and commitment to their roles.

### Performance evaluation and professional development

The Board's policy is to undertake an annual evaluation of its performance and that of its committees and Directors annually with an externally facilitated evaluation at least every three years. During 2017 the Board undertook an internal evaluation, with criteria linked to the Group's strategy performance and governance. An externally facilitated evaluation will be conducted during 2018.

Directors have an opportunity to be frank about what they consider the Board and its committees do well and where they consider improvements can be made.

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

The Chairman discusses requirements for professional development with all Directors and training is provided where appropriate. 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.

## DIRECTORS' REPORT – CORPORATE GOVERNANCE STATEMENT

continued

### Nomination Committee

The members of the Nomination Committee are Nigel Mills, Marion Sears, Rachel Kentleton and Simon Litherland. Simon Litherland was appointed to the Committee on 3 April 2017, Jonathan Davie resigned from the Committee on 14 December 2017 and Nicholas Wrigley resigned from the Committee on 26 February 2018. Nigel Mills became Chairman of the Committee on 26 February 2018 when Nicholas resigned. The Committee met five times during 2017. During their meetings they reviewed the composition of the Board, considered both Board and senior management succession planning and agreed the process for the appointment of a new Chairman. Nicholas Wrigley and Jonathan Davie did not attend the Nomination Committee meeting called to consider the changes required to the Board and its committees upon notification of their decision to resign. Otherwise, all members were in attendance at each meeting.

Following their earlier review of the composition of the Board, the Nomination Committee agreed 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 Committee appointed an executive search firm, the Zygos Partnership 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 he was appointed on 3 April 2017.

Simon Litherland received a comprehensive induction about the Company which included extensive meetings and briefings from Executive Directors and Head Office functional directors, principally on strategy and finance, but including legal issues, information technology and health and safety. He has also attended site visits and has met divisional and regional management teams.

### 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 Marion Sears (Chairman), Nigel Mills and Simon Litherland. Simon Litherland was appointed to the Committee on 3 April 2017. Jonathan Davie resigned from the Committee on 14 December 2017 and Nicholas Wrigley resigned from the Committee on 26 February 2018.

The Committee formally met four times during 2017 and all members attended the meetings. The principal activities of the Remuneration Committee in 2017 were consideration of the vesting of awards under the Company's 2012 Long Term Incentive Plan, finalisation of the revised Remuneration Policy, which was approved by shareholders at the 2017 AGM and review of the performance conditions for the Executive Directors' annual bonus scheme. Further information is set out in the Remuneration Report on pages 62 to 79.

### Audit Committee

#### Composition

The Audit Committee members are Rachel Kentleton (Chairman), Marion Sears and Simon Litherland. Simon was appointed to the Committee on 3 April 2017 when he joined the Board. Jonathan Davie was a member of the Committee until he resigned from the Board on 14 December 2017. All members of the Committee are considered to be independent. The Board considers that the Audit Committee as a whole has competence relevant to the sector in which the Group operates. Rachel Kentleton is a qualified accountant and has recent relevant financial experience as Finance Director of PayPoint Plc and formerly as Group Director, Strategy & Implementation at easyJet. She has experience in consumer facing, operational businesses with significant long term investment cycles. Marion Sears has extensive banking and relevant financial and investment expertise and is a member of the Audit Committee at Fidelity European Values Plc and Aberdeen New Dawn Investment Trust PLC. Simon Litherland is a qualified accountant and has proven finance, leadership and business skills in his role as Chief Executive Officer of Britvic plc. He also has significant experience in consumer facing industries.

The Committee met on five occasions during 2017 and all members were in attendance at each meeting. The Committee regularly meets the external auditor without the presence of the Company's management and also meets the Group Risk Manager annually without the Company's management being present. Further information on the role and activities of the Audit Committee together with details of how the principles of the UK Corporate Governance Code regarding accountability have been applied can be found in the Audit Committee report on pages 54 to 58.

### Terms of reference

Terms of reference for the Board Committees are available on the Company's website [www.persimmonhomes.com/corporate](http://www.persimmonhomes.com/corporate) 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. Marion Sears has responsibility for consulting with shareholders and institutions on matters relating to remuneration policy. Nigel Mills and Marion Sears consulted with major shareholders regarding the vesting of the 2012 LTIP. The Committee's previous Chairman, Jonathan Davie consulted with major shareholders regarding the Remuneration Policy put to shareholders and approved by them at last year's Annual General Meeting.

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 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. The results presentation is available to the market, a recording of which can be viewed on the Company's website.

### The UK Corporate Governance Code 2016

This Corporate Governance Statement, together with the Audit Committee Report on pages 54 to 58 and the Directors' Remuneration Report on pages 62 to 79, provides a description of how the main principles of the UK Corporate Governance Code 2016 have been applied within the Company during 2017.

The Company complied with the UK Corporate Governance Code 2016 throughout 2017 and continues to review its governance procedures to maintain proper control and accountability. The Governance Code is available from the Financial Reporting Council, at [www.frc.org.uk](http://www.frc.org.uk)

### Significant shareholdings

As at 31 December 2017 and as at 26 February 2018, 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 2017               |                          | As at 26 February 2018               |                          | Nature of holding |
|---------------|--------------------------------------|--------------------------|--------------------------------------|--------------------------|-------------------|
|               | Number of voting rights <sup>1</sup> | % of total voting rights | Number of voting rights <sup>1</sup> | % of total voting rights |                   |
| BlackRock Inc | 16,718,253                           | 5.43                     | 16,718,253                           | 5.43                     | Indirect          |

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

## DIRECTORS' REPORT – AUDIT COMMITTEE REPORT

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I am pleased to introduce the Group's Audit Committee Report for the year ended 31 December 2017. In the year Simon Litherland joined the Audit Committee, on 3 April 2017. As set out in the Corporate Governance statement, Simon is a qualified accountant and has proven finance experience, which I consider enhances the blend of experience and competencies of the members of the Committee.

### Introduction

One of the Audit Committee's key activities during the year was the assessment of significant financial issues. The Committee considered that the financial 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 being shared equity receivables. These items have not changed from the previous year.

We also monitor the performance and the objectivity of the external auditor. This is the second year that Ernst & Young have been the Group's auditor. They prepared a detailed audit plan prior to commencing their audit, setting out their consideration of the main audit risks and the appropriate materiality level. The Committee reviewed the plan with the auditor and agreed the scope of their work. In addition the Committee reviewed the Group's policy for the Provision of Non-Audit Services by the External Auditor during the year, taking into consideration the Financial Reporting Council's revised Ethical Standard dated June 2016. The only non-audit work carried out by the auditor during the year was the review of the Group's Half Year Report.

The Committee also reviewed the independence of the auditor and agreed the fee for the audit work and the review. The Committee continues to consider that the auditor and the audit engagement partners remain independent.

During the year we conducted our annual review of the Viability Statement, the Principal Risks facing the Group and the Group Risk Register. The Principal Risks were amended slightly during the year to include information on risks related to Government policy, further information can be found on pages 25 and 26.

Another major role of the Audit Committee is the effective governance of the Group's financial reporting. The Committee reviewed both the Half Year Report and the Annual Report for the financial year and the related regulatory disclosures. At the request of the Board, the Audit Committee considered and is satisfied that the 2017 Annual Report taken as a whole is fair, balanced and understandable and provides the necessary information to assess the Company's position, performance, business model and strategy.

The Audit Committee met five times during 2017. All members of the Committee attended each of the meetings. In addition the Group Finance Director and the Group Risk Manager regularly attend the Committee meetings. I report to the Board on the Committee's work and our findings after each meeting.

Further information on the work of the Committee during the year is set out below.

**Rachel Kentleton,**  
Chairman of the Audit Committee

## Role of the Audit Committee

The key roles of the Audit Committee are set out in the table below, together with a summary of the main activities during the year.

### Audit Committee Key roles and 2017 Activities

| Audit Committee Key Role                                                                         | 2017 Activities and Priorities                                                                                                                                                                                                          |
|--------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Effective Governance of Group Financial reporting, including the adequacy of related disclosures | Review of the Half Year and Annual Report and of the related regulatory announcements                                                                                                                                                   |
| Monitor the effectiveness of Internal controls and risk management systems                       | Assessment of significant financial issues<br>Review of Group's Principal Risks<br>Review of Group's Viability Statement                                                                                                                |
| Performance of the Group Risk Management Function                                                | Continued monitoring of the Group Risk Function<br>Reviewed self-assessment of the Group Risk Function                                                                                                                                  |
| Monitor the External Audit                                                                       | Monitor and review performance of the audit<br>Review and monitor the independence of the statutory auditor<br>Review of Non Audit Services Policy<br>Recommended the re-appointment of the auditor                                     |
| Compliance, whistleblowing and fraud                                                             | Review of the Group's current tax status and tax strategy<br>Review of proposal for net settlement of awards under the Group's 2012 Long Term Incentive Plan<br>Continued monitoring of risks and the Group's whistleblowing procedures |

### 2017 Priorities and Main Activities

The Audit Committee's 2017 priorities and main activities are set out below.

#### 1. Financial Reporting

The Audit Committee reviews the Annual Report and the Half Year report and the related regulatory announcements and monitors the integrity of financial reporting.

#### 2. Assessment of Significant Financial Issues

The Audit Committee reviews and assesses the significant financial issues facing the Group and determines the key risks of misstatement of the Group's financial statements. As a result of its review it has assessed that the material financial issues of the Group for 2017 were:

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

- in addition, the Committee reviewed the accounting treatment that would arise in 2018 of the proposed net settlement of 40% of awards that vested on 31 December 2017 under the Group's 2012 Long Term Incentive Plan ('2012 LTIP').

Further information on these matters is set out below.

#### 3. Review of the Group's Viability Statement, Principal Risks and Risk Register

The Audit Committee conducts regular reviews of the Group's Principal Risks and Risk Register. It also reviews the Viability Statement annually. The major risks facing the Group are scrutinised by the Committee and are reviewed against the controls in place to manage those risks, in order that the controls remain appropriate. In particular, the Audit Committee reviewed:

- the potential impact of economic uncertainty with the UK's ongoing negotiations on leaving EU;
- the potential impact of changes to Government policy on the economy and on the housebuilding industry;

- the processes around the recruitment and training of staff and the processes around the Group's succession planning, given the Group's continued increase in staffing and vesting of awards under the 2012 LTIP; and
- IT and cyber risks and conveyancing processes in our in house legal department.

#### 4. Review of External Audit

The Audit Committee monitors the performance and the objectivity of the External Auditor. During the year the Committee evaluated the auditor's performance after their first audit for the Group and concluded that it had been conducted well. Following their first audit, Ernst & Young made some minor amendments to their audit approach for the 2017 audit in relation to revenue testing. As a result of the experience they gained they have incorporated more use of data analytics, which they believe will aid their audit. The Committee reviewed the detailed audit plan prepared by Ernst & Young prior to commencing their audit and agreed the scope of the work to be undertaken. The Committee also agreed the work for the review of the Half Year report.

## DIRECTORS' REPORT – AUDIT COMMITTEE REPORT

continued

Following the appointment of the new auditor and the publication of the Financial Reporting Council's revised Ethical Standard dated June 2016, the Committee reviewed its policy for the Provision of Non-Audit Services by the External Auditor. The only non-audit work carried out by the auditor during the year was the review of the Group's Half Year Report. The Committee agreed the fees payable to the auditor for the audit and for the half year review and considered the independence of both the firm and the audit engagement partners. Following the review, the Committee continues to consider that Ernst & Young and Peter McIver and Victoria Venning, the audit engagement partners, remain independent.

### 5. Other Key Actions

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; and
- review of the Group's current tax status and tax strategy.

### 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 and associated disclosures. Revenue for the year was £3,422.3m.

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

The carrying value of the Group's land totalled £2,010.6m at 31 December 2017, and the carrying value of work in progress on site totalled £723.9m. The Committee continues to monitor the Group's key processes employed in the acquisition of land and its investment in site development activities and the effectiveness of the internal controls exercised over those processes.

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 Committee also 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 2017. The Committee concluded that the approach adopted by management supported the asset carrying values.

### Carrying value of shared equity receivables

There are second charge loans remaining due to the Group under shared equity contracts previously 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. The Committee monitors the effectiveness of internal controls exercised over the key processes that are employed by the Group in managing these second charge loans.

At 31 December 2017 the carrying value of these receivables was £117.3m. Following a review of the assumptions adopted by management in support of the carrying value of these receivables, the Committee has concluded they remain 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

The auditor was appointed in April 2016 following a tender exercise. There is no plan to re-tender the audit this year and the Audit Committee has recommended to the Board that Ernst & Young be re-appointed auditor. Ernst & Young again prepared a detailed audit plan identifying their assessment of the key risks for audit consideration in 2017. 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. These have not changed from the previous year's audit. The other areas of audit focus included valuation of goodwill and intangible assets; accuracy of current tax accrual and deferred tax balances; valuation of the Group's defined benefit pension scheme obligations and share based payments. In addition, there was a review to confirm that the Group should properly be considered as a going concern; a review of the Viability Statement and their requirements as auditor to address the Board's application of the UK Corporate Governance Code.

The Audit Committee assesses the effectiveness of the external audit process annually with the auditor and the Company's management. Regular private meetings are held between the Audit Committee and Ernst & Young without management present to discuss the auditor's assessment of business risks and management's activities with regard to those risks, the transparency and openness of interactions with management and confirmation that there has been no restriction in scope placed on them.

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 25 April 2018. The Company has complied with the provisions of the Statutory Audit Services Order 2014.

As set out above, the Audit Committee reviewed its policy for the Provision of Non-Audit Services by the External Auditor. The Committee formulates and oversees the Company's policy on monitoring the objectivity and independence in relation to non-audit services. In order that the nature of any non-audit services performed by the auditor and the fee earned for that work relative to the fees earned for the audit do not compromise, and are not seen to compromise the auditor's independence, objectivity and integrity, the auditor is excluded from undertaking a range of work on behalf of the Group. The work the auditor is excluded from undertaking includes appraisal or valuation services, management functions and litigation support, actuarial services and legal or remuneration services on behalf of the Group.

Details of the audit fee paid to Ernst & Young LLP are on page 100. In addition Ernst & Young were paid audit related fees of £46,125 in 2017 for their review of the Half Year Report.

At the request of the Board, the Audit Committee considered whether the 2017 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

The effective management of risk is central to the achievement of our objectives and delivery of 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. The internal control environment of the Company is based upon a three lines of defence model, with controls applied by management, supported by Group wide functions and a Group Risk department operating as the third line. Standardisation of systems, processes and procedures is applied across the Group, wherever possible, in order to ensure consistent and robust internal controls are in place.

The Risk Committee ensures the Board's policies are implemented through the regular review of control systems and procedures. This includes determining appropriate control procedures and the review of the effectiveness of internal controls, including the review of reporting provided by the Group Risk function.

The members of the Risk Committee during 2017 were Jeff Fairburn (Chairman), Rachel Kentleton, Mike Killoran, and Dave Jenkinson. 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 processes of financial reporting and the preparation of the consolidated accounts, as well as the reports that are sent to the Risk Committee. 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 all financial reports and trading updates with appropriate consultation with the Group's external advisors, ensuring that such reports and statements are accurate, complete and consistent with the requirements of all relevant legislation and regulations. Each operating business and Group function is required to report to the Group in standardised formats 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's risk registers during the year to reflect changes to the profile of risks facing the Group. This included an assessment of risks at both strategic and operational levels. The updated Group risk registers have been approved by both Risk and Audit Committees and by the Board. The principal risks faced by the Group set out on pages 25 and 26 have remained broadly the same as the prior year, with the addition of a specific risk on Government policy relating to the housebuilding industry. The Group Risk Department also conducted a self-assessment of its activities and working practices in 2017, and has initiated a number of actions to further strengthen its processes as a result.

## DIRECTORS' REPORT – AUDIT COMMITTEE REPORT

continued

There were six meetings of the Risk Committee within 2017, ensuring there has been an ongoing and robust process for the identification, evaluation and management of the main risks faced by the Group and the effectiveness of the controls in place to mitigate them. The key features of the Risk Committee's review process were as follows:

- review of reports produced by the Group Risk Department on internal control and management of risk;
- 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;
- review of reports provided by heads of various business functions, covering areas such as tax, information technology and the shared equity portfolio; and
- monitoring of whistleblowing reports or other significant control issues or incidents reported.

Following the review of reports and information presented to the Risk Committee, where minor weaknesses or improvement opportunities in internal controls were identified, action has been taken to improve and strengthen procedures. This is typically carried out by the Group Risk Department liaising with regional and departmental managers on conclusion of their work.

In addition to the meetings of the Risk Committee, the Committee members also 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 board discussions for each operating business, particularly operational board meetings where all aspects of operations and performance are routinely analysed.

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 covered all material controls including financial, operational and compliance controls, as well as the Group's risk management system. There were no material issues identified from the review. The review for 2017 has been completed and approved by the Risk and Audit Committees and by the Board. A detailed 2018 programme of work for the Group Risk Department, designed to provide effective coverage of key areas of risk, has also been approved by the Risk and Audit Committees.

The Company's system of internal control is designed to manage risk effectively, in order to achieve business objectives; it is not intended to completely eliminate risk. The system can only provide reasonable assurance on the effectiveness of risk management and does not provide absolute assurance against material misstatement or loss.

## 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 127 to 137.

### 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 1 to 44. A description of the Group's future prospects, research and development, the principal risks and uncertainties facing the business and important events affecting the Group since 31 December 2017 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 to the Financial Statements.

### Results and return of cash

The Group's revenue for 2017 was £3,422.3m and its consolidated profit before taxation was £966.1m.

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 dividends 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 Acting Chairman's Statement an interim dividend of 125 pence per share will be paid on 29 March 2018 to shareholders on the register on 9 March 2018 under the Company's Capital Return Plan. In addition, it is proposed to pay a final dividend of 110 pence per share, on 2 July 2018, to shareholders on the register on 15 June 2018 (2017: return of cash of 25 pence and 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 48 and 49. Details of the Executive Directors' service contracts are given in the Remuneration Report on page 74. All of the Directors served for the whole of the year, with the exception of Simon Litherland who was appointed to the Board on 3 April 2017.

In addition, Nicholas Wrigley and Jonathan Davie were Directors of the Company during the year. Nicholas Wrigley resigned on 26 February 2018 and Jonathan Davie resigned on 14 December 2017.

The beneficial and non-beneficial interests of the Directors and their connected persons in the shares of the Company at 31 December 2017 and as at the date of this report are disclosed in the Remuneration Report on page 76. Details of the interests of the Executive Directors in share options and awards of shares can be found on pages 75 and 76 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 UK Corporate Governance Code 2016 the Board has determined that all Directors will be subject to annual re-election by shareholders. The Company's Articles of Association ('the 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 UK Corporate Governance Code 2016, 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.

## DIRECTORS' REPORT – OTHER DISCLOSURES

continued

### 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 the 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 2017 358,021 ordinary shares were issued with a nominal value of £35,802.10 to employees exercising share options for cash consideration of £2,996,593.36. At 26 February 2018 the issued share capital of the Company was 308,904,795 ordinary shares with a nominal value of £30,890,479. 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 27 April 2017 shareholders gave Directors authority to allot ordinary shares up to a maximum nominal amount of £10,286,089, representing approximately one third of the Company's issued share capital as at 10 March 2017 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 £20,572,178, representing approximately two thirds of the issued share capital of the Company as at 10 March 2017. 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 £3,085,826. These authorities will expire at the conclusion of the AGM on 25 April 2018. 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 Employee 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 Group's greenhouse gas emissions are set out in the Strategic Report on page 41.

#### 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 and distributed to all employees regularly 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 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 27 April 2017 shareholders granted the Company authority to purchase up to an aggregate of 30,858,267 of its own shares. No shares have been purchased to date under this authority and therefore at 31 December 2017 the authority remained outstanding. This authority expires on 25 April 2018 and a resolution to renew the authority will be put to shareholders at the forthcoming AGM.

At 31 December 2017 the Company held no shares in treasury.

#### Annual General Meeting

The AGM will commence at 12 noon on Wednesday 25 April 2018 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 58.

By order of the Board



**Tracy Davison**  
Company Secretary  
26 February 2018

Persimmon Plc  
Company registration number 1818486

## REMUNERATION COMMITTEE CHAIRMAN'S STATEMENT

Image removed

The business again performed strongly during the year under review and unit sales, profits and cash generation all increased.

In total we sold 16,043 homes and importantly, at the same time, management also improved quality, reflected by a continuing rise in our HBF 'Would you recommend a friend?' customer satisfaction score to 79.1%.

Notwithstanding the strong business performance, the end of the year was overshadowed in remuneration terms by the 2012 LTIP. This was originally launched as a ten year scheme that was expected to last until 2021 and to run together with the Capital Return Plan (CRP). However, due to the recovery in the housebuilding cycle and management's determined and disciplined efforts to increase both operating efficiency and the volume of units built, the CRP targets have been achieved more quickly than originally expected. The business has grown significantly, we have built many homes and created many jobs. At the same time the Group's very high level of cash generation has meant that we have returned more cash to shareholders than expected and the share price has performed strongly.

This is a testament to our management team but, as a result, the awards under the 2012 LTIP will vest earlier than expected. The first 40% of the 2012 LTIP vested on 31 December 2017 and is shown in this year's Single Total Figure of Remuneration.

The remaining 60% will vest, and the 2012 LTIP will conclude, when the CRP meets the original target to return £1.9bn to shareholders (£6.20 per share). To date £4.85p per share has been returned as dividends and we have declared forthcoming dividends of £1.25 payable on 29 March and a final dividend of £1.10 payable on 2 July, the latter being subject to shareholder approval. Therefore, provided shareholders approve the final dividend at the AGM, the £1.10 payable in July will trigger the vesting of the remaining 60% of the 2012 LTIP. The share price increase from £6.20 in 2012 at the start of the scheme to £24.72 at the date of this report has led to higher, and earlier, than expected performance pay for 133 of our senior management included in the scheme.

Persimmon's 2012 Remuneration Committee proposed the 2012 LTIP to run alongside the CRP following consultation with shareholders. This was approved with a vote of 84.9% in favour. Under the agreement, the top three executives are legally entitled to receive these payments and legal advice re-confirmed that the Remuneration Committee had no discretion to modify them. The lack of a cap on payments led to our Chairman, Nicholas Wrigley, and our Senior Independent Director and Remuneration Committee Chair, Jonathan Davie, tendering their resignations from the Board in December 2017 and we would like to acknowledge their demonstration of accountability.

I became chair of the Remuneration Committee on 14 December 2017 and as a Committee we considered the options available to us with regard to the 2012 LTIP vesting and we consulted extensively with a number of our largest shareholders. We also held extensive discussions with management. The Executives made clear their strong commitment to the business and decided to reduce their overall entitlement to shares, cap the future value on exercise to a maximum value equal to £29 per share, extend the holding periods post exercise and to make these changes subject to continued employment. Jeff Fairburn and Mike Killoran have decided to reduce their overall entitlement by a number of shares equal to 50% of the shares under their second vesting and have extended their employment condition to July 2021 to match the original timescale of the CRP. Dave Jenkinson decided to reduce his overall entitlement by a number of shares equal to 50% of the shares subject to awards granted to him since being promoted to the Board to which he would become entitled on the second vesting and his holding and continued employment condition extends until 2020. In total 2.8m options were surrendered by the Executives collectively and their share of the total LTIP awards reduced from 45% to 38%.

The total value surrendered using the share price at the date of this report is over £50m. No changes were made to the 2012 LTIP for below-Board participants. Further details are set out on page 64.

In the meantime we have also made certain other adjustments to near-term remuneration; no Board member will receive a salary increase for 2018 and no bonus awards will be made for 2018 for Jeff Fairburn, Mike Killoran or Dave Jenkinson. Although there will, therefore, be no bonus paid to the Executives, we endorse their request that their 2018 bonus is still measured and that it be distributed to staff (excluding those participants in the 2012 LTIP and 2017 Performance Share Plan).

We have defined performance targets in the normal way and also introduced strategic and personal objectives. As a result, the performance targets for 2018 will be 70% financial and 30% non-financial, and the non-financial element will split equally between customer care and personal and strategic objectives. The Committee believes these adjustments are an important step forward in bringing our remuneration structure into line with best practice and intends to adopt this structure going forward.

Looking to the future, these events will conclude the 2012 LTIP. The decisions by the Executives to reduce their 2012 LTIP awards have been welcomed and fully supported by the Remuneration Committee, which has also noted Jeff Fairburn's intention to donate a substantial proportion of his total reward to charity. The Board regards these decisions as an appropriate response by the Executives. Accordingly, the Board unanimously supports this amendment which it believes to be in the interests of the Company as a whole.

The Board is working well together and the Committee recommends that shareholders vote in favour of all related resolutions. We believe the outlook for the business continues to be positive and that these changes will enable management at all levels to focus on the business to the benefit of all stakeholders.

I look forward to meeting shareholders at the AGM.

**Marion Sears**  
Chairman Remuneration Committee  
26 February 2018

## SUMMARY OF THE 2012 LONG TERM INCENTIVE PLAN

The Group's 2012 Long Term Incentive Plan (2012 LTIP) was designed to align long term performance-related remuneration for the Group's senior management team with the interests of shareholders and the strategy announced in February 2012.

### Summary of the 2012 LTIP

The key features of the 2012 LTIP are:

- The plan and the number of shares awarded was approved by shareholders in 2012
- The performance condition is cash returned to shareholders under the Capital Return Plan
- 133 staff have awards outstanding
- This is a long term plan, on launch it was expected to last ten years to 2021
- Shareholders received dividends annually from 2013, but no awards vested to the Executives until 31 December 2017

### Reduction of Awards by Executive Directors

In February 2018 it was announced that the Executive Directors:

- Surrendered 2.8m shares under award
- Following surrender Executives have awards of 7.8m shares of the total of 20.4m
- Extended the holding period for certain of their shares, until 2021 for the Chief Executive and Finance Director
- Extended holding period is subject to continued employment
- Capped the value of the second vesting entitlement to a maximum of £29 per share
- Note 32, Events After Balance Sheet Date, provides further detail of the Directors' reductions and option settlement

### Group Performance since 2012

- By 31 December 2017 £1.5bn, equivalent to 485p per share had been returned to shareholders
- All returns were paid out of surplus capital. We have invested c. £3.2bn in land since strategy launched in early 2012
- Additional returns of 125p per share announced for the next three years
- Scheduled returns of 110p per share to be paid each year subject to shareholder approval
- The 2012 LTIP expected to conclude in July 2018

### Summary of Value Creation

- The value delivered to shareholders since February 2012 is £8.0bn (the value delivered to participants from the awards that vested on 31 December 2017 was £212m)
- The value of the 40% vested to participants represents 2.6% of the value delivered to shareholders
- For illustration, assuming a share price of £24.72, being the share price on 23 February 2018 and Capital Return Plan payments of 125p and 110p planned to be paid in 2018, the value delivered to shareholders by July 2018 would be £8.0bn and the value delivered to participants when the awards vest in full would be £438m, which represents 5.5% of the value delivered to shareholders

### Value creation since February 2012 (£billions)

Graph removed

## SUMMARY OF DIRECTORS' REMUNERATION POLICY

The Company's Remuneration Policy for Executive Directors and Non-Executive Directors was approved by Shareholders at the AGM on 27 April 2017, and took effect from that date. Until then, the Policy approved by shareholders on 16 April 2014 applied. A summary of the policy for the Executive Directors, Chairman and Non-Executive Directors is set out below in the policy table, which is reproduced in full. The entire policy, as approved by shareholders, may be found on the Company's website at <https://www.persimmonhomes.com/corporate/investors> in the 2016 Annual Report.

### 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                                                                                                                                                                                                                    | How it operates                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Maximum payable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Performance framework                                                                                                                                                               |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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. | <p>Usually reviewed annually with any increases normally taking effect from 1 January.</p> <p>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.</p> <p>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.</p> | <p>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).</p> <p>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.</p> <p>Current salary levels are set out in the Annual Report on Remuneration.</p> | <p>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.</p> |

## SUMMARY OF DIRECTORS' REMUNERATION POLICY

continued

### Annual bonus

| Purpose                                                                                                                                                                                                       | How it operates                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Maximum payable                                                                                                                                                                                                                                                  | Performance framework                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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. | <p>Any annual bonuses earned are paid in cash up to 100% of base salary.</p> <p>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).</p> <p>The Committee may adjust the bonus pay-out up or down should the formulaic outcome be considered not to reflect underlying business performance.</p> <p>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.</p> <p>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.</p> <p>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.</p> | <p>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.</p> | <p>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.</p> <p>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.</p> <p>Financial metrics:<br/>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.</p> <p>Non-financial strategic or individual metrics:<br/>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.</p> |

### 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. | <p>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.</p> <p>If a Director opts out of future pension accrual, a salary supplement is payable.</p> | <p>Pension accrual in the DB scheme is on a CARE basis at one-sixtieth of Pensionable Salary per year.</p> <p>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.</p> <p>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.</p> <p>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.</p> | 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. | <p>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.</p> <p>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.</p> | <p>The Committee has not set a maximum for benefits. Benefit costs will remain a small component of total remuneration.</p> | 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                                                                                                                                                                                                                                                                                                                                                                                    | How it operates                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Maximum payable                                                                                                                                                                                                                                                                                                        | Performance framework                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>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.</p> <p>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.</p> | <p>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).</p> <p>Awards vest subject to the satisfaction of performance conditions assessed over a period of not less than three years.</p> <p>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.</p> <p>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.</p> <p>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).</p> <p>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.</p> <p>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.</p> | <p>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.</p> | <p>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.</p> |

### Share ownership guidelines

| Purpose                                                                       | How it operates                                                                                                                                                             | Maximum payable      | Performance framework |
|-------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-----------------------|
| To align the interests of the Executive Directors with those of Shareholders. | 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. | 200% of base salary. | None                  |

## SUMMARY OF DIRECTORS' REMUNERATION POLICY

continued

### 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.

#### 2017 PSP

##### The Committee's approach

#### 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. | <p>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.</p> <p>Fees are reviewed annually with any increases normally taking effect from 1 January.</p> <p>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.</p> <p>Benefits may be provided in connection with the undertaking by the Chairman of his duties.</p> | <p>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.</p> <p>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.</p> | N/A                   |

## Non-Executive Directors

### Fees

| Purpose                                                                                                                                                                                                                                                                                                                   | How it operates                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Maximum payable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Performance framework |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| <p>Market competitive fees are paid to attract Non-Executive Directors with a broad range of skills and experience to complement the Board.</p> <p>Non-Executive Directors with diverse skills and experience will assist the Board when setting the Company's strategy and overseeing its successful implementation.</p> | <p>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.</p> <p>Fees are reviewed annually with any increases normally taking effect from 1 January.</p> <p>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.</p> <p>Benefits may be provided in connection with the undertaking by a Non-Executive Director of his duties.</p> | <p>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.</p> <p>Additional fees are payable to Non-Executive Directors for extra responsibilities, such as chairing a Board committee.</p> <p>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.</p> | N/A                   |

### 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.

## ANNUAL REPORT ON REMUNERATION

The Remuneration Committee's Annual Report on Remuneration for the year ended 31 December 2017 is set out below. This includes remuneration for 2017 and the proposed implementation of the remuneration policy for 2018. The auditor is required to report on the following information up to and including the Statement of Directors' shareholding requirements and share interests.

The figures set out in the table below are the actual amounts of salary or fees and bonus earned in the year to 31 December 2017. The value of 2012 LTIP awards is the notional value at 31 December 2017, the date the awards vested, which is the figure we are required to publish. The participants did not acquire their shares on that date and this value cannot be deemed to be the value the participant will receive. The actual value for income tax purposes will be determined on the date the participant exercises their award, and the exercise date is at the choice of each individual participant until 31 December 2022 at the latest. Since 31 December 2017, and as set out in the Remuneration Committee Chairman's statement, the Executive Directors have surrendered a total of 2.8m shares under the 2012 LTIP. The detail of this surrender is set out on pages 62 to 64 and note 32.

### Single total figure of remuneration for the year ended 31 December 2017

|                      | Salaries and fees 2017<br>£ | Salaries and fees 2016<br>£ | Benefits 2017<br>£ | Benefits 2016<br>£ | Annual bonus 2017<br>£ | Annual bonus 2016<br>£ | Value of LTIP awards vesting 2017<br>£ | Value of LTIP awards vesting 2016<br>£ | Value of SAYE options vesting 2017<br>£ | Value of SAYE options vesting 2016<br>£ | Value of pension benefits earned/salary supplement 2017<br>£ | Value of pension benefits earned/salary supplement 2016<br>£ | 2017 Total<br>£    | 2016 Total<br>£  |
|----------------------|-----------------------------|-----------------------------|--------------------|--------------------|------------------------|------------------------|----------------------------------------|----------------------------------------|-----------------------------------------|-----------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|--------------------|------------------|
| <b>Chairman</b>      |                             |                             |                    |                    |                        |                        |                                        |                                        |                                         |                                         |                                                              |                                                              |                    |                  |
| N H T Wrigley        | 213,880                     | 207,650                     | 23,000             | 2,928              | -                      | -                      | -                                      | -                                      | -                                       | -                                       | -                                                            | -                                                            | 236,880            | 210,578          |
| <b>Executive</b>     |                             |                             |                    |                    |                        |                        |                                        |                                        |                                         |                                         |                                                              |                                                              |                    |                  |
| J Fairburn           | 675,270                     | 647,747                     | 42,800             | 38,879             | 1,292,737              | 1,276,036              | 44,889,280                             | -                                      | 24,524                                  | -                                       | 162,065                                                      | 161,030                                                      | 47,086,676         | 2,123,692        |
| D Jenkinson*         | 511,625                     | 494,107                     | 33,470             | 31,943             | 739,437                | 729,886                | 18,930,541                             | -                                      | 24,524                                  | -                                       | 129,827                                                      | 128,430                                                      | 20,369,424         | 1,384,366        |
| M H Killoran         | 511,775                     | 496,870                     | 48,245             | 44,405             | 734,807                | 725,317                | 35,217,549                             | -                                      | 24,524                                  | -                                       | 153,533                                                      | 149,061                                                      | 36,690,432         | 1,415,653        |
| <b>Non-Executive</b> |                             |                             |                    |                    |                        |                        |                                        |                                        |                                         |                                         |                                                              |                                                              |                    |                  |
| J Davie*             | 75,000                      | 67,900                      | -                  | -                  | -                      | -                      | -                                      | -                                      | -                                       | -                                       | -                                                            | -                                                            | 75,000             | 67,900           |
| M Sears*             | 75,714                      | 67,900                      | -                  | -                  | -                      | -                      | -                                      | -                                      | -                                       | -                                       | -                                                            | -                                                            | 75,714             | 67,900           |
| R Kentleton          | 75,000                      | 65,014                      | -                  | -                  | -                      | -                      | -                                      | -                                      | -                                       | -                                       | -                                                            | -                                                            | 75,000             | 65,014           |
| N Mills**            | 60,714                      | 42,895                      | -                  | -                  | -                      | -                      | -                                      | -                                      | -                                       | -                                       | -                                                            | -                                                            | 60,714             | 42,895           |
| S Litherland*        | 44,670                      | -                           | -                  | -                  | -                      | -                      | -                                      | -                                      | -                                       | -                                       | -                                                            | -                                                            | 44,670             | -                |
| <b>Totals</b>        | <b>2,243,648</b>            | <b>2,090,083</b>            | <b>147,515</b>     | <b>118,155</b>     | <b>2,766,981</b>       | <b>2,731,239</b>       | <b>99,037,370</b>                      | <b>-</b>                               | <b>73,572</b>                           | <b>-</b>                                | <b>445,424</b>                                               | <b>438,521</b>                                               | <b>104,714,511</b> | <b>5,377,998</b> |

^ There is a salary sacrifice arrangement in place for the Company's defined benefit pension scheme. As a result the actual salary paid to Dave Jenkinson, a member of the defined benefit pension scheme was reduced by 9% of his pensionable salary, which would have been the member rate of contribution to the scheme.

\* Jonathan Davie resigned from the Board on 14 December 2017.

¥ Marion Sears and Nigel Mills' 2017 fees include additional Committee Chair fees/Senior Independent fees from 14 December 2017.

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

z 2017 figures are from 3 April 2017, the date Simon Litherland was appointed to the Board.

During the year no Director waived their entitlement to any emoluments. The Executive Directors decided to reduce awards under the 2012 LTIP in February 2018, details are set out on pages 62 to 64.

Additional information on the amounts which make up the Single Total Figure of 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 2017

Two financial and two non-financial metrics made up the performance condition for Executive Directors' 2017 annual bonus. The financial metrics were profit and cash generation measures, which make up to 50% and 40% of maximum bonus potential, respectively. The non-financial metrics were a customer care measure, which makes up to 10% of maximum bonus and a health and safety measure which can act as a downward modifier of up to 10% of bonus.

The profit performance condition for 2017 annual bonuses was again linked to the Group's profit before tax (before exceptionals and goodwill impairment) for the year (the 'profit measure'). The cash generation performance condition did not change from the previous year and was the Group net cash inflow before Capital Return Plan and net land payments for the year (the 'cash generation measure').

The Committee again included a customer care metric in the performance condition for annual bonus. Customer care remains an important focus for the Board and the Committee considered it was important that part of the Executive Directors' annual bonus target continue to be based on performance linked to that. The measure chosen for 2017 was to achieve a minimum percentage of customers who would recommend Persimmon, as measured by the results of the Home Builders Federation ("HBF") 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 2016 to September 2017, measured from survey responses published up to 9 February 2018.

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 that the Executive Directors' annual bonuses for 2017 should not be reduced for health and safety performance.

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. The maximum bonus payable did not change for 2017.

| 2017 Annual bonus condition                                                                                 | Target range for 2017 annual bonus  |         |         | Actual achieved              | Actual percentage of maximum bonus payable |
|-------------------------------------------------------------------------------------------------------------|-------------------------------------|---------|---------|------------------------------|--------------------------------------------|
|                                                                                                             | Threshold                           | Target  | Maximum |                              |                                            |
| <b>Profit measure</b>                                                                                       | £817m                               | £847m   | £867m   | <b>£966.1m</b>               | <b>50%</b>                                 |
| Percentage of maximum potential bonus payable                                                               | 3.33%                               | 33.33%  | 50.00%  |                              |                                            |
| <b>Cash generation measure</b>                                                                              | £1,046m                             | £1,076m | £1,096m | <b>£1,382.6m<sup>^</sup></b> | <b>40%</b>                                 |
| Percentage of maximum potential bonus payable                                                               | 3.33%                               | 26.66%  | 40.00%  |                              |                                            |
| <b>Customer care measure</b> – HBF Customer Satisfaction Survey – percentage that would recommend Persimmon | 74.6%                               | 80%     | 85%     | <b>79.1 %</b>                | <b>5.72%</b>                               |
| <b>Health and safety modifier</b> – If our safety record is not at the standard expected                    | Bonus could be reduced by up to 10% |         |         | <b>Standards met</b>         | <b>n/a</b>                                 |
| <b>Total bonus payable</b>                                                                                  |                                     |         |         |                              | <b>95.72%</b>                              |

<sup>^</sup> The Cash Generation Figure is calculated as follows:

|                           |           |
|---------------------------|-----------|
| Cash at 31 December 2017: | £1,302.7m |
| Cash at 31 December 2016: | £913.0m   |
| Increase in cash:         | £389.7m   |
| Add: Dividends paid:      | £416.6m   |
| Net land spend:           | £576.3m   |
|                           | £1,382.6m |

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<br>£ | Value £ | Amount paid in cash  |                             | Amount deferred and paid in bonus share scheme awards |                      |                             | Bonus shares awarded |
|--------------------|-----------------------------------|---------|----------------------|-----------------------------|-------------------------------------------------------|----------------------|-----------------------------|----------------------|
|                    |                                   |         | Percentage of Salary | Percentage of overall bonus | Value £                                               | Percentage of Salary | Percentage of overall bonus |                      |
| J Fairburn         | <b>1,292,737</b>                  | 675,270 | 100%                 | 52.24%                      | 617,467                                               | <b>91.44%</b>        | 47.76%                      | 23,840               |
| D Jenkinson        | <b>739,437</b>                    | 515,000 | 100%                 | 69.65%                      | 224,437                                               | <b>43.58%</b>        | 30.35%                      | 8,666                |
| M H Killoran       | <b>734,807</b>                    | 511,775 | 100%                 | 69.65%                      | 223,032                                               | <b>43.58%</b>        | 30.35%                      | 8,611                |

The bonus share awards earned under the annual bonus arrangements for 2017 were calculated at the average share price of £25.90 over the period from 1 January 2018 to 14 February 2018, inclusive. These awards will ordinarily vest half on the announcement of the annual results in 2019 and half on the announcement of the annual results in 2020. 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).

## ANNUAL REPORT ON REMUNERATION

continued

### Long Term Incentive Plan awards vesting in 2017

The Executive Directors have outstanding awards under the 2012 LTIP, which have a performance condition based upon the return of £6.20 per share to shareholders under the Group's Capital Return Plan. By 31 December 2017 the Group had made returns to shareholders of £4.85 per share, equal to £1.5bn. Under the rules of the 2012 LTIP, as the relevant part of the performance condition has been met, 40% of the awards vested on 31 December 2017. As set out in the Acting Chairman's Statement, the Board has announced Capital Return Plan payments of 235p per share in 2018 and it is expected that all outstanding awards will vest in July 2018, providing shareholders approve the final dividend of 110p at the forthcoming AGM.

In February 2018, the Executive Directors informed the Remuneration Committee of a series of decisions intended to reduce the scale of payments and extend the holding period under any second tranche.

- Jeff Fairburn and Mike Killoran decided to reduce their overall entitlement by a number of shares equal to 50% of the shares to which they would become entitled on the second vesting. Additionally they also decided to extend until 2021 the holding period applying to 50% of any shares under any second vest other than shares sold to cover tax liabilities.
- Dave Jenkinson decided to reduce his overall entitlement by a number of shares equal to 50% of the shares subject to awards granted to him since being promoted to the Board to which he would become entitled on the second vesting. In addition to the existing obligation to hold 50% of the shares from any second vest for 12 months, other than shares sold to cover tax liabilities, he decided to extend until 2020 the holding period for 25% of such shares.
- All three Executives have decided to cap the value of any future exercise of the remaining second vesting entitlement to a maximum value equal to £29 per share.

The regulatory value of the awards that vested on 31 December 2017 (before the reduction described above) is set out below and this information is required to be included in the Single Total Figure of Remuneration table. This is a notional value and cannot be deemed to be the value the participant will actually receive when they exercise their award and acquire the shares.

| Name           | Number of shares granted | Percentage vesting | Number of shares Vesting at 31 December 2017 | Date of vesting | Market Price At 31 December 2017 | Initial Option Price | Option Price to Pay | Notional Value on 31 December 2017 (Value used in the Total Remuneration Table) |
|----------------|--------------------------|--------------------|----------------------------------------------|-----------------|----------------------------------|----------------------|---------------------|---------------------------------------------------------------------------------|
| Jeff Fairburn  | 2,416,000                | 40                 | 966,400                                      | 31/12/2017      | £27.38                           | £6.20                | £1.35               | £25,155,392                                                                     |
|                | 2,174,400                | 40                 | 869,760                                      | 31/12/2017      | £27.38                           | £11.09               | £6.24               | £18,386,726                                                                     |
|                | 241,600                  | 40                 | 96,640                                       | 31/12/2017      | £27.38                           | £16.84               | £13.44              | £1,347,162                                                                      |
| Dave Jenkinson | 1,209,677                | 40                 | 483,871                                      | 31/12/2017      | £27.38                           | £6.20                | £1.35               | £12,595,136                                                                     |
|                | 460,523                  | 40                 | 184,209                                      | 31/12/2017      | £27.38                           | £11.355              | £7.255              | £3,707,206                                                                      |
|                | 745,800                  | 40                 | 298,320                                      | 31/12/2017      | £27.38                           | £21.02               | £18.57              | £2,628,199                                                                      |
| Mike Killoran  | 3,382,400                | 40                 | 1,352,960                                    | 31/12/2017      | £27.38                           | £6.20                | £1.35               | £35,217,549                                                                     |

The return of £6.20 per share to shareholders 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 of an option is reduced 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 total number of shares held under an option that could vest will be determined by reference to the fraction  $x/£6.20$ , where  $x$  is the value of the Cumulative Cash Returns paid by the relevant Measurement Date.

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').

The Remuneration Committee has confirmed that £4.85 per share has been returned by the Group within the Underpin and therefore the Performance Condition has been met to 31 December 2019.

In alignment with the capital discipline at the core of the Group's long term strategy, on 26 February 2018 the Board determined that, we will net settle the 40% of options granted under the 2012 LTIP that vested on 31 December 2017. Participants would sacrifice their interest in an appropriate number of shares issued in exchange for an equivalently valued cash payment being sufficient to allow the participants to meet their income tax and employee national insurance liabilities in respect of the exercise of their vested options. The value of these liabilities will be determined by the Company's share price on the date participants choose to exercise their options together with the prevailing income tax and national insurance contribution rates at that time, see note 32.

### Savings-Related Share Option Scheme ('SAYE')

The SAYE Scheme is an HMRC approved all employee savings related share option scheme. Invitations are issued annually to all employees to apply for the grant of an option under the SAYE. There are no performance conditions attached to options granted under the SAYE. The options granted to the Executive Directors in 2014 became exercisable on 1 December 2017. The value of the options which matured has been calculated on the difference between the market value of a Persimmon share on 1 December 2017, being £25.52 and the option exercise price of £10.80, multiplied by the number of shares under option.

### Directors' pension entitlements

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

| Executive Director | Value of defined benefit pension earned<br>£ | Salary supplement<br>£ | Total<br>£     |
|--------------------|----------------------------------------------|------------------------|----------------|
| J Fairburn         | n/a                                          | 162,065                | <b>162,065</b> |
| D Jenkinson        | 15,227                                       | 114,600                | <b>129,827</b> |
| M H Killoran       | n/a                                          | 153,533                | <b>153,533</b> |

Dave Jenkinson is a member of the Company's defined benefit pension scheme. Benefits are earned on a career average revalued earnings basis at an accrual rate of sixtieths and his normal retirement age in the scheme is 65. Dave Jenkinson's pensionable salary was amended to a fixed amount of £37,500 from 1 April 2016, to align his pension accrual with his pension Annual Allowance for tax purposes. In addition, Dave Jenkinson received a salary supplement of 24% of the difference between his pensionable salary and his base salary.

The defined benefit pension benefits accrued for Dave Jenkinson are as set out below:

|             | Accrued pension as at<br>31 December<br>2017<br>£ | Accrued pension as at<br>31 December<br>2016<br>£ | Increase in accrued pension<br>£ | Increase in accrued pension during the year (net of inflation)<br>£ |
|-------------|---------------------------------------------------|---------------------------------------------------|----------------------------------|---------------------------------------------------------------------|
| D Jenkinson | <b>44,880</b>                                     | 43,682                                            | 1,198                            | 761                                                                 |

Jeff Fairburn and Mike Killoran have ceased membership of the Company pension schemes, both previously earned benefits in the Company's defined benefit pension scheme. Mike Killoran's scheme retirement age is 60 and Jeff Fairburn'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. Jeff Fairburn receives a salary supplement of 24% of his base salary.

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

## ANNUAL REPORT ON REMUNERATION

continued

### Options Granted under the SAYE Scheme

During the year, the Executive Directors applied for, and were granted options under the Company's SAYE scheme, an HMRC approved all employee savings related share option scheme. There are no performance conditions attached to options granted under the SAYE. All staff are invited to apply for an option under the SAYE scheme on the same basis.

| Name         | Type of interest awarded | Basis on which award was made    | Number of ordinary shares | Option exercise price | Market Price at Date of Invitation | Face value at date of Invitation |
|--------------|--------------------------|----------------------------------|---------------------------|-----------------------|------------------------------------|----------------------------------|
| J Fairburn   | SAYE Share Option        | Invitation made to all employees | 903                       | £19.92                | £24.90                             | £22,485                          |
| D Jenkinson  | SAYE Share Option        | Invitation made to all employees | 903                       | £19.92                | £24.90                             | £22,485                          |
| M H Killoran | SAYE Share Option        | Invitation made to all employees | 903                       | £19.92                | £24.90                             | £22,485                          |

It should be noted that the face value has been calculated using the share price at the date of the invitation to employees. It makes no allowance for the exercise price that will be payable by the Director. In accordance with the rules of the SAYE the market value for setting the initial option exercise price was the closing price of a share when invitations were issued to all employees, and included a 20% discount to the closing price.

### Payments for loss of office

There were no payments for loss of office in 2017.

### Payments to past Directors

There were no payments to past Directors for the year ended 31 December 2017 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. 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.

## Directors' share option scheme interests

|              |                                                 |                 |                   |                |                                              |                                          |                                       |                                                 |                                | Position after post balance sheet LTIP reduction |                 |                                             |                                                |                                          |
|--------------|-------------------------------------------------|-----------------|-------------------|----------------|----------------------------------------------|------------------------------------------|---------------------------------------|-------------------------------------------------|--------------------------------|--------------------------------------------------|-----------------|---------------------------------------------|------------------------------------------------|------------------------------------------|
| Scheme       | Total interests outstanding at 31 December 2016 | 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 2017 | Options vested but unexercised | Latest Vesting Date                              | Options reduced | Total interests outstanding after reduction | Options vested but unexercised after reduction | Latest Vesting Date after reduction      |
| J Fairburn   | 2012 LTIP                                       | 2,416,000       | -                 | -              | -                                            | 620p                                     | -                                     | 2,416,000                                       | 2,416,000                      | 966,400                                          | July 2018       | 0                                           | 2,416,000                                      | 966,400                                  |
|              |                                                 |                 |                   |                |                                              |                                          |                                       |                                                 |                                | 40% Dec 17<br>100% Expected                      |                 |                                             |                                                | 966,400: Dec 17<br>2,416,000: Expected   |
|              | 2012 LTIP                                       | 2,174,400       | -                 | -              | -                                            | 1109p                                    | -                                     | 2,174,400                                       | 2,174,400                      | 869,760                                          | July 2018       | 1,208,000                                   | 966,400                                        | 869,760                                  |
|              |                                                 |                 |                   |                |                                              |                                          |                                       |                                                 |                                | 40% Dec 17<br>100% Expected                      |                 |                                             |                                                | 869,760: Dec 17<br>966,400: Expected     |
|              | 2012 LTIP                                       | 241,600         | -                 | -              | -                                            | 1684p                                    | -                                     | 241,600                                         | 241,600                        | 96,640                                           | July 2018       | 241,600                                     | 0                                              | 0                                        |
|              | Bonus share scheme                              | 16,544          | -                 | 16,544         | -                                            | 1667p                                    | -                                     | -                                               | -                              | Feb 17                                           |                 |                                             |                                                | N/A                                      |
|              | Bonus share scheme                              | 30,713          | -                 | 15,356         | -                                            | 2077p                                    | 15,357                                | 15,357                                          | -                              | Feb 18                                           |                 |                                             |                                                | N/A                                      |
|              | Bonus share scheme                              | -               | 31,884            | -              | -                                            | 2094p                                    | 31,884                                | 31,884                                          | -                              | Feb 19                                           |                 |                                             |                                                | N/A                                      |
|              | SAYE                                            | 1,666           | -                 | 1,666          | -                                            | 1080p                                    | -                                     | -                                               | -                              | Dec 17                                           |                 |                                             |                                                | N/A                                      |
|              | SAYE                                            | -               | 903               | -              | -                                            | 1992p                                    | 903                                   | 903                                             | -                              | Dec 20                                           |                 |                                             |                                                | N/A                                      |
| D Jenkinson  | 2012 LTIP                                       | 1,209,677       | -                 | -              | -                                            | 620p                                     | -                                     | 1,209,677                                       | 1,209,677                      | 483,870                                          | July 2018       | 0                                           | 1,209,677                                      | 483,870                                  |
|              |                                                 |                 |                   |                |                                              |                                          |                                       |                                                 |                                | 40% Dec 17<br>100% Expected                      |                 |                                             |                                                | 483,870: Dec 17<br>1,209,677: Expected   |
|              | 2012 LTIP                                       | 460,523         | -                 | -              | -                                            | 1135.5p                                  | -                                     | 460,523                                         | 460,523                        | 184,209                                          | July 2018       | 0                                           | 460,523                                        | 184,209                                  |
|              |                                                 |                 |                   |                |                                              |                                          |                                       |                                                 |                                | 40% Dec 17<br>100% Expected                      |                 |                                             |                                                | 184,209: Dec 17<br>460,523: Expected     |
|              | 2012 LTIP                                       | 745,800         | -                 | -              | -                                            | 2102p                                    | -                                     | 745,800                                         | 745,800                        | 298,320                                          | July 2018       | 361,897                                     | 383,903                                        | 298,320                                  |
|              | Bonus share scheme                              | 3,917           | -                 | 3,917          | -                                            | 1667p                                    | -                                     | -                                               | -                              | Feb 17                                           |                 |                                             |                                                | N/A                                      |
|              | Bonus share scheme                              | 7,958           | -                 | 3,979          | -                                            | 2077p                                    | 3,979                                 | 3,979                                           | -                              | Feb 18                                           |                 |                                             |                                                | N/A                                      |
|              | Bonus share scheme                              | -               | 11,814            | -              | -                                            | 2094p                                    | 11,814                                | 11,814                                          | -                              | Feb 19                                           |                 |                                             |                                                | N/A                                      |
|              | SAYE                                            | 1,666           | -                 | 1,666          | -                                            | 1080p                                    | -                                     | -                                               | -                              | Dec 17                                           |                 |                                             |                                                | N/A                                      |
|              | SAYE                                            | -               | 903               | -              | -                                            | 1992p                                    | 903                                   | 903                                             | -                              | Dec 20                                           |                 |                                             |                                                | N/A                                      |
| M H Killoran | 2012 LTIP                                       | 3,382,400       | -                 | -              | -                                            | 620p                                     | -                                     | 3,382,400                                       | 3,382,400                      | 1,352,960                                        | July 2018       | 1,014,720                                   | 2,367,680                                      | 1,352,960                                |
|              |                                                 |                 |                   |                |                                              |                                          |                                       |                                                 |                                | 40% Dec 17<br>100% Expected                      |                 |                                             |                                                | 1,352,960: Dec 17<br>2,367,680: Expected |
|              | Bonus share scheme                              | 5,566           | -                 | 5,566          | -                                            | 1667p                                    | -                                     | -                                               | -                              | Feb 17                                           |                 |                                             |                                                | N/A                                      |

## ANNUAL REPORT ON REMUNERATION

continued

|                    |                                                 |                 |                   |                |                                               |                                          |                                       |                                                 |                                |                          | Position after post balance sheet LTIP reduction |                                             |                                                |                                     |
|--------------------|-------------------------------------------------|-----------------|-------------------|----------------|-----------------------------------------------|------------------------------------------|---------------------------------------|-------------------------------------------------|--------------------------------|--------------------------|--------------------------------------------------|---------------------------------------------|------------------------------------------------|-------------------------------------|
| Scheme             | Total interests outstanding at 31 December 2016 | 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 2017 | Options vested but unexercised | Latest Vesting Date      | Options reduced                                  | Total interests outstanding after reduction | Options vested but unexercised after reduction | Latest Vesting Date after reduction |
| Bonus share scheme | 11,308                                          | –               | 5,654             | –              | 2077p                                         | 5,654                                    | –                                     | 5,654                                           | –                              | 50% Feb 17<br>50% Feb 18 |                                                  |                                             | N/A                                            |                                     |
| Bonus share scheme | –                                               | 11,740          | –                 | –              | 2094p                                         | 11,740                                   | –                                     | 11,740                                          | –                              | 50% Feb 18<br>50% Feb 19 |                                                  |                                             | N/A                                            |                                     |
| SAYE               | 1,666                                           | –               | 1,666             | –              | 1080p                                         | –                                        | –                                     | –                                               | –                              | Dec 17                   |                                                  |                                             | N/A                                            |                                     |
| SAYE               | –                                               | 903             | –                 | –              | 1992p                                         | 903                                      | –                                     | 903                                             | –                              | Dec 20                   |                                                  |                                             | N/A                                            |                                     |

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

### 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 2017 (including shares held by connected persons)* | 31 December 2017                                                              | 31 December 2016 |
| J Fairburn            | 200%                                     | 747%                                                                                        | 184,281                                                                       | 168,375          |
| D Jenkinson           | 200%                                     | 217%                                                                                        | 40,795                                                                        | 35,181           |
| M H Killoran          | 200%                                     | 3,557%                                                                                      | 664,925                                                                       | 657,649          |
| <b>Chairman</b>       |                                          |                                                                                             |                                                                               |                  |
| N H T Wrigley         | n/a                                      | n/a                                                                                         | 36,000                                                                        | 36,000           |
| <b>Non-Executives</b> |                                          |                                                                                             |                                                                               |                  |
| 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                                                                                         | 3,181                                                                         | 2,471            |
| N Mills               | n/a                                      | n/a                                                                                         | 716                                                                           | 0                |
| S Litherland**        | n/a                                      | n/a                                                                                         | 0                                                                             | n/a              |
| <b>Total</b>          |                                          |                                                                                             | <b>959,898</b>                                                                | <b>929,676</b>   |

\* Calculated on the closing price of £27.38 at 31 December 2017 and on base salary at 1 January 2018.

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.

\* Figure to 14 December 2017, the date Jonathan Davie resigned from the Board.

\*\* Simon Litherland was appointed to the Board on 3 April 2017.

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. All of the Executive Directors hold shares above the minimum share ownership requirement, in the case of Jeff Fairburn and Mike Killoran, both Directors hold shares substantially over the minimum. All of the Executive Directors are long term holders of the Company's shares.

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

The Directors' beneficial holdings were 939,898 shares at 31 December 2017 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 2017 and 26 February 2018.

### 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 nine years.

Graph removed

### Group Chief Executive remuneration 2009 to 2017

|       | Chief Executive       | Single total figure of remuneration<br>£ | Annual bonus paid against maximum opportunity | LTIP awards vesting against maximum opportunity |
|-------|-----------------------|------------------------------------------|-----------------------------------------------|-------------------------------------------------|
| 2017  | J Fairburn            | 47,086,676                               | 95.7%                                         | 40%                                             |
| 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 2016 to 2017, compared to the change in remuneration of the Group's salaried employees. The salaried employees have been selected as the most suitable comparator group as this includes junior to senior employees with the most relevant pay structure.

|                               | Percentage change from 2016 to 2017 |       |                           |
|-------------------------------|-------------------------------------|-------|---------------------------|
|                               | Annual salary                       | Bonus | Value of taxable benefits |
| Group Chief Executive         | 3.0%                                | 1.3%  | 10%                       |
| Average of salaried employees | 6.1%                                | 7.0%  | 3.8%                      |

Salaried staff generally received a 3% salary increase in 2017, however there were a number of promotional increases during the year.

## ANNUAL REPORT ON REMUNERATION

continued

### Statement of voting at General Meeting

The Directors' Remuneration Policy, effective from 27 April 2017 and the Annual Report on Remuneration for 2016 were put to shareholders for approval at the 2017 AGM. 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 | 187,471,448 | 96.7  | 6,289,667     | 3.2       | 193,921,917      | 1,392,829<br>(representing 0.5% of the issued share capital) |
| Approval of the Annual Report on Remuneration  | 174,426,585 | 90.2  | 18,815,758    | 9.7       | 193,404,759      | 1,910,518<br>(representing 0.6% 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.

|                                         | 2017<br>£m | 2016<br>£m | Difference<br>in spend<br>£m | Difference as a<br>percentage |
|-----------------------------------------|------------|------------|------------------------------|-------------------------------|
| Remuneration for all employees          | 242.0      | 195.6      | 46.4                         | +23.7%                        |
| Total Capital Return Plan payments made | 416.6      | 338.3      | 78.3                         | +23%                          |

### Remuneration policy implementation for 2018

#### Executive Directors

##### Base salaries

The Remuneration Committee has determined that the Executive Directors will not receive an increase to their base salary for 2018.

|                | Base salary from<br>1 January 2018 | Percentage increase<br>from 2017 |
|----------------|------------------------------------|----------------------------------|
| Jeff Fairburn  | £675,270                           | Nil                              |
| Dave Jenkinson | £515,000                           | Nil                              |
| Mike Killoran  | £511,775                           | Nil                              |

##### Annual bonus

Taking into consideration the early vesting of awards under the 2012 LTIP, the Remuneration Committee has determined that the Executive Directors will not receive an annual bonus for the year ending 31 December 2018. Although there will be no annual bonus, the Remuneration Committee has set performance targets in the normal way and also introduced strategic and personal objectives. The performance targets for 2018 will be 70% financial and 30% non-financial, and the non-financial element will be split equally between customer care and personal and strategic objectives.

The targets are based on figures which are commercially sensitive, but they will be disclosed in next year's Remuneration Report. The bonus awards will be subject to robust clawback and malus provisions.

The Committee has determined that the maximum annual bonus potential should remain at 200% of base salary for Jeff Fairburn and at 150% of base salary for the other Executive Directors.

The Executive Directors have suggested and the Remuneration Committee has agreed, that the potential bonus that could have been earned by the Directors be calculated and any amount that would have been payable be distributed to staff (excluding those participants in the 2012 LTIP and 2017 Performance Share Plan).

##### Pension and Pension Salary Supplement

There is no change to pension benefits for 2018; current arrangements are as set out on page 73.

### Chairman and Non-Executive Directors' fees

Nicholas Wrigley resigned as Chairman on 26 February 2018 and did not receive a fee increase for 2018.

The Board as a whole determines the fees of the Non-Executive Directors. The Board has agreed that the Non-Executives' fees will not increase for 2018. The fees remain £60,000 p.a. plus £15,000 for the additional responsibilities in chairing a committee. In line with market practice, the additional fee of £15,000 will also apply to the position of Senior Independent Director.

### The Remuneration Committee

The Remuneration Committee is responsible for setting the Chairman's and each Executive Director's remuneration. The Committee membership during 2017 is set out below.

| Members who served during 2017                   | Date of appointment to the Committee | Date of Resignation |
|--------------------------------------------------|--------------------------------------|---------------------|
| Marion Sears (Chairman from 14 December 2017)    | 20 February 2013                     |                     |
| Jonathan Davie (Chairman until 14 December 2017) | 1 January 2010                       | 14 December 2017    |
| Nicholas Wrigley                                 | 18 December 2007                     | 26 February 2018    |
| Nigel Mills                                      | 4 April 2016                         |                     |
| Simon Litherland                                 | 3 April 2017                         |                     |

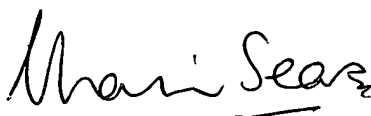
The Committee sought advice on Executive Directors' and the Chairman's remuneration matters from Deloitte LLP, its independent remuneration consultants. Deloitte were appointed by the Remuneration Committee in 2016 and were selected due to their expertise in executive remuneration. The Committee considers 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 also provided advice to the Company on potentially net settling 40% of the awards that vested on 31 December 2017 under the 2012 LTIP and on a new all employee share scheme.

The Committee was previously advised by New Bridge Street, an Aon company on the introduction of the 2012 LTIP.

The amount of fees the Company paid to Deloitte for the services they provided to the Remuneration Committee in 2017 was £48,150, charged on a time spent basis.

During the year, the Committee reviewed the remuneration of the Group's Regional Boards (the level of management below Board level).

By order of the Board



**Marion Sears**  
Chairman Remuneration Committee  
26 February 2018

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

The current Directors who are listed on pages 48 and 49 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  
26 February 2018

**Mike Killoran**  
Group Finance Director

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

### Opinion

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 2017 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.

We have audited the financial statements of Persimmon Plc which comprise:

| Group                                                                      | Parent company                                                 |
|----------------------------------------------------------------------------|----------------------------------------------------------------|
| Group balance sheet as at 31 December 2017                                 | Company balance sheet as at 31 December 2017                   |
| 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 33 to the financial statements              |
| Related notes 1 to 33 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Use of our report

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.

### Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report (set out on pages 25 to 26) that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation (set out on page 27) 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 directors' statement (set out on page 59) 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
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or

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

continued

- the directors' explanation (set out on page 27) 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.

### Overview of our audit approach

|                   |                                                                                                                                                                                                                                                                                                                           |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Key audit matters | <ul style="list-style-type: none"> <li>• Revenue recognition</li> <li>• Inventory valuation and profit recognition</li> <li>• Valuation of shared equity receivables</li> </ul>                                                                                                                                           |
| Audit scope       | <ul style="list-style-type: none"> <li>• We performed an audit of Persimmon plc, as a single aggregated set of financial information. Our work therefore covered 100% of Profit before tax, 100% of Revenue and 100% of Total assets.</li> <li>• This is consistent with our approach to the prior year audit.</li> </ul> |
| Materiality       | <ul style="list-style-type: none"> <li>• Overall group materiality of £48.3m which represents 5% of Profit before tax.</li> </ul>                                                                                                                                                                                         |

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

| Risk                                                                                                                                                                                                                                                                                                                                                                                                                      | Our response to the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Key observations communicated to the Audit Committee                                                                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Revenue recognition</b><br><br><i>Refer to Accounting policies (page 94); and Note 5 of the Consolidated Financial Statements (page 98)</i><br><br>The Group has reported revenues for the year of £3,422.3m (2016 – £3,136.8m).<br><br>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: <ul style="list-style-type: none"> <li>• We performed walkthroughs to understand the key processes and identify key controls;</li> <li>• 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;</li> <li>• We tested 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</li> <li>• We validated any material manual journals to assess for any evidence of management bias by corroborating to supporting documentation.</li> </ul> | Based on our audit procedures we have concluded that revenue is appropriately recognised, and that there was no evidence of management bias. |

| Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Our response to the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Key observations communicated to the Audit Committee                                                                                              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Inventory valuation and profit recognition</b></p> <p><i>Refer to the Audit Committee Report (page 56); Accounting policies (page 96); and Note 17 of the Consolidated Financial Statements (pages 108 and 109)</i></p> <p>At 31 December 2017, the Inventory balance includes WIP of £723.9m (2016 – £617.2m) and Land of £2,010.6m (2016 – £1,946.4m).</p> <p>The carrying value of Inventory is determined by reference to a number of assumptions which are subject to levels of inherent estimation.</p> <p>The carrying value of Inventory is assessed by management for impairment by reference to current market inputs and assumptions.</p> <p>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.</p> <p>The same judgements are also used to determine the margin on each development which is used to determine the profit to be recognised.</p> | <p>We performed the following procedures over this risk area:</p> <ul style="list-style-type: none"> <li>• We performed walkthroughs to understand the key processes and identify key controls;</li> <li>• 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;</li> <li>• 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;</li> <li>• We critically assessed the appropriateness of key assumptions and the commercial viability of sites as determined by management through comparison against historic data and consideration of current market conditions;</li> <li>• We tested 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</li> <li>• We assessed the adequacy of the related disclosures in the Financial Statements.</li> </ul> | <p>Based on our audit procedures we have concluded that the Inventory balance and profit recognised in the year are not materially misstated.</p> |

## 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                                                                                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Valuation of shared equity receivables</b></p> <p><i>Refer to the Audit Committee Report (page 56); Accounting policies (page 96); and Note 16 of the Consolidated Financial Statements (page 108)</i></p> <p>At 31 December 2017 the Group was carrying shared equity receivables on the balance sheet of £117.3m (2016 – £148.7m).</p> <p>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.</p> | <p>We performed the following procedures over this risk area:</p> <ul style="list-style-type: none"> <li>• We performed walkthroughs to understand the key processes and identify key controls;</li> <li>• We critically assessed, based on historic data and consideration of current market conditions, the appropriateness of key assumptions such as: <ul style="list-style-type: none"> <li>– Discount rate</li> <li>– Recoverability</li> <li>– House price inflation</li> </ul> </li> <li>• We performed sensitivity analysis over key assumptions</li> <li>• We tested a sample of recorded redemptions and agreed them to evidence of cash receipt, ensuring that the amounts had been appropriately derecognised</li> <li>• We tested a sample of cash receipts received in the year, and ensured that they had been appropriately recorded as redemptions</li> <li>• We tested the integrity and arithmetical accuracy of the calculations within management's valuation model; and</li> <li>• We assessed the adequacy of the related disclosures in the Financial Statements.</li> </ul> | <p>Based on our audit procedures we have concluded that the available for sale asset – shared equity receivable is not materially misstated.</p> |

### An overview of the scope of our audit

#### Tailoring the scope

We performed an audit of Persimmon plc, as 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 consistent with our approach to 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 £48.3 million (2016: £38.7 million), which is 5% (2016: 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 as it is a focus of both management and investors.

We determined materiality for the Parent Company to be £18.7 million (2016: £13.9 million), which is 1% (2016: 1%) of Equity.

#### 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 75% (2016: 50%) of our planning materiality, namely £36.2m (2016: £19.4m). We have set performance materiality at this percentage based on our assessment of the control environment of the group and expectation of errors. 50% was used in the prior year as this was an initial 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 £2.4m (2016: £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.

### Other information

The other information comprises the information included in the annual report (set out on pages 1 to 80), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable (set out on page 57)** – the statement by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting (set out on pages 54 to 58)** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code (set out on page 59)** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

### Opinions 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.

In our opinion, 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

continued

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement (set out on page 80), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- we obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations in the UK;
- we understood how the Group is complying with those frameworks by making enquiries of management, Internal Audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee; and
- we assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by meeting with management from various parts of the business to understand where it considered there was a susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud and error.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved journal entry testing, with a focus on manual consolidation journals, and journals indicating large or unusual transactions based on our understanding of the business; enquiries of Legal Counsel, Group management, Internal Audit, subsidiary Management at all full and specific scope components; and focused testing, as referred to in the key audit matters section above. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code 2016.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Other matters we are required to address**

- We were appointed by the company on 14 April 2016 to audit the financial statements for the year ending 31 December 2016 and subsequent financial periods;
- the period of total uninterrupted engagement including previous renewals and reappointments is 2 years, covering the years ending 31 December 2016 to 31 December 2017;
- the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit; and
- the audit opinion is consistent with the additional report to the audit committee.

*Ernst & Young LLP.*

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

**Notes:**

1. The maintenance and integrity of the Persimmon Plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

|                                                                               | Note | 2017<br>Total<br>£m | 2016<br>Total<br>£m |
|-------------------------------------------------------------------------------|------|---------------------|---------------------|
| Revenue                                                                       | 5    | 3,422.3             | 3,136.8             |
| Cost of sales                                                                 |      | (2,350.6)           | (2,265.4)           |
| <b>Gross profit</b>                                                           |      | <b>1,071.7</b>      | <b>871.4</b>        |
| Other operating income                                                        |      | 9.4                 | 6.8                 |
| Operating expenses                                                            |      | (126.0)             | (107.7)             |
| <b>Profit from operations before impairment of intangible assets</b>          |      | <b>966.1</b>        | <b>778.5</b>        |
| Impairment of intangible assets                                               | 13   | (11.0)              | (8.0)               |
| <b>Profit from operations</b>                                                 | 9    | <b>955.1</b>        | <b>770.5</b>        |
| Finance income                                                                | 8    | 24.5                | 19.8                |
| Finance costs                                                                 | 8    | (13.5)              | (15.5)              |
| <b>Profit before tax</b>                                                      |      | <b>966.1</b>        | <b>774.8</b>        |
| Tax                                                                           | 10.1 | (179.2)             | (149.5)             |
| <b>Profit after tax</b><br>(all attributable to equity holders of the parent) | 12   | <b>786.9</b>        | <b>625.3</b>        |
| <b>Other comprehensive income/(expense)</b>                                   |      |                     |                     |
| Items that will not be reclassified to profit:                                |      |                     |                     |
| Remeasurement gains/(losses) on defined benefit pension schemes               | 27   | 22.1                | (23.4)              |
| Tax                                                                           | 10.2 | (3.7)               | 4.4                 |
| <b>Other comprehensive income/(expense) for the year, net of tax</b>          |      | <b>18.4</b>         | <b>(19.0)</b>       |
| <b>Total recognised income for the year</b>                                   |      | <b>805.3</b>        | <b>606.3</b>        |
| <b>Earnings per share</b>                                                     |      |                     |                     |
| Basic                                                                         | 12   | <b>255.0p</b>       | 203.0p              |
| Diluted                                                                       | 12   | <b>243.1p</b>       | 197.0p              |

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 2017

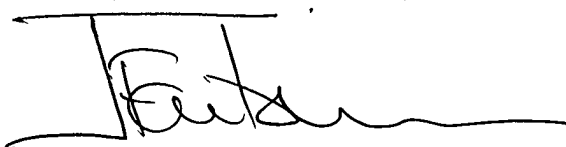
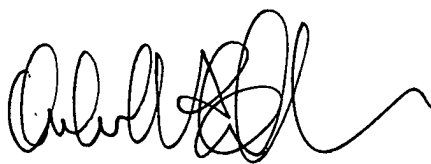
|                                                   | Note | Group<br>2017<br>£m | Group<br>2016<br>£m | Company<br>2017<br>£m | Company<br>2016<br>£m |
|---------------------------------------------------|------|---------------------|---------------------|-----------------------|-----------------------|
| <b>Assets</b>                                     |      |                     |                     |                       |                       |
| <b>Non-current assets</b>                         |      |                     |                     |                       |                       |
| Intangible assets                                 | 13   | 202.6               | 213.6               | 1.5                   | 1.8                   |
| Property, plant and equipment                     | 14   | 52.5                | 43.0                | 2.5                   | 2.6                   |
| 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   | 117.3               | 148.7               | –                     | –                     |
| Trade and other receivables                       | 18   | 7.0                 | 8.8                 | –                     | –                     |
| Deferred tax assets                               | 22   | 92.0                | 42.5                | 56.8                  | 39.9                  |
| Retirement benefit assets                         | 27   | 67.7                | 23.3                | 67.7                  | 23.3                  |
|                                                   |      | 542.1               | 482.9               | 3,334.2               | 3,273.3               |
| <b>Current assets</b>                             |      |                     |                     |                       |                       |
| Inventories                                       | 17   | 2,825.9             | 2,645.0             | –                     | –                     |
| Trade and other receivables                       | 18   | 86.1                | 103.7               | 1,334.6               | 1,275.5               |
| Cash and cash equivalents                         | 24   | 1,302.7             | 913.0               | 1,036.5               | 711.4                 |
| Current tax assets                                |      | –                   | –                   | 1.9                   | 2.5                   |
|                                                   |      | 4,214.7             | 3,661.7             | 2,373.0               | 1,989.4               |
| <b>Total assets</b>                               |      | <b>4,756.8</b>      | <b>4,144.6</b>      | <b>5,707.2</b>        | <b>5,262.7</b>        |
| <b>Liabilities</b>                                |      |                     |                     |                       |                       |
| <b>Non-current liabilities</b>                    |      |                     |                     |                       |                       |
| Trade and other payables                          | 20   | (294.1)             | (333.3)             | (1.5)                 | (40.0)                |
| Deferred tax liabilities                          | 22   | (24.0)              | (17.7)              | (11.5)                | (4.0)                 |
| Partnership liability                             | 28   | (38.5)              | (41.7)              | –                     | –                     |
|                                                   |      | (356.6)             | (392.7)             | (13.0)                | (44.0)                |
| <b>Current liabilities</b>                        |      |                     |                     |                       |                       |
| Trade and other payables                          | 20   | (1,099.6)           | (935.0)             | (3,778.9)             | (3,824.1)             |
| Partnership liability                             | 28   | (5.4)               | (5.4)               | –                     | –                     |
| Current tax liabilities                           |      | (93.6)              | (74.1)              | –                     | –                     |
|                                                   |      | (1,198.6)           | (1,014.5)           | (3,778.9)             | (3,824.1)             |
| <b>Total liabilities</b>                          |      | <b>(1,555.2)</b>    | <b>(1,407.2)</b>    | <b>(3,791.9)</b>      | <b>(3,868.1)</b>      |
| <b>Net assets</b>                                 |      | <b>3,201.6</b>      | <b>2,737.4</b>      | <b>1,915.3</b>        | <b>1,394.6</b>        |
| <b>Equity</b>                                     |      |                     |                     |                       |                       |
| Ordinary share capital issued                     | 23   | 30.9                | 30.8                | 30.9                  | 30.8                  |
| Share premium                                     |      | 13.5                | 10.6                | 13.5                  | 10.6                  |
| Capital redemption reserve                        |      | 236.5               | 236.5               | 236.5                 | 236.5                 |
| Other non-distributable reserve                   |      | 276.8               | 276.8               | –                     | –                     |
| Retained earnings                                 |      | 2,643.9             | 2,182.7             | 1,634.4               | 1,116.7               |
| <b>Total equity</b>                               |      | <b>3,201.6</b>      | <b>2,737.4</b>      | <b>1,915.3</b>        | <b>1,394.6</b>        |

The profit for the year dealt with in the accounts of the Company is £876.6m (2016: £373.9m).

The financial statements of Persimmon Plc (Company number: 1818486) on pages 88 to 137 were approved by the Board of Directors on 26 February 2018 and were signed on its behalf by:

J Fairburn  
Group Chief Executive

M H Killoran  
Group Finance Director

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the year ended 31 December 2017

|                                                    | Share<br>capital<br>£m | Share<br>premium<br>£m | Capital<br>redemption<br>reserve<br>£m | Other<br>non-<br>distributable<br>reserve<br>£m | Retained<br>earnings<br>£m | Total<br>£m    |
|----------------------------------------------------|------------------------|------------------------|----------------------------------------|-------------------------------------------------|----------------------------|----------------|
| <b>Group</b>                                       |                        |                        |                                        |                                                 |                            |                |
| <b>Balance at 1 January 2016</b>                   | 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)         |
| <b>Transactions with owners:</b>                   |                        |                        |                                        |                                                 |                            |                |
| 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            |
| <b>Balance at 31 December 2016</b>                 | <b>30.8</b>            | <b>10.6</b>            | <b>236.5</b>                           | <b>276.8</b>                                    | <b>2,182.7</b>             | <b>2,737.4</b> |
| Profit for the year                                | –                      | –                      | –                                      | –                                               | 786.9                      | 786.9          |
| Other comprehensive income                         | –                      | –                      | –                                      | –                                               | 18.4                       | 18.4           |
| <b>Transactions with owners:</b>                   |                        |                        |                                        |                                                 |                            |                |
| Dividends on equity shares                         | –                      | –                      | –                                      | –                                               | (416.6)                    | (416.6)        |
| Issue of new shares                                | 0.1                    | 2.9                    | –                                      | –                                               | –                          | 3.0            |
| Exercise of share options/share awards             | –                      | –                      | –                                      | –                                               | (0.9)                      | (0.9)          |
| Share-based payments                               | –                      | –                      | –                                      | –                                               | 72.5                       | 72.5           |
| Satisfaction of share options from own shares held | –                      | –                      | –                                      | –                                               | 0.9                        | 0.9            |
| <b>Balance at 31 December 2017</b>                 | <b>30.9</b>            | <b>13.5</b>            | <b>236.5</b>                           | <b>276.8</b>                                    | <b>2,643.9</b>             | <b>3,201.6</b> |

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<br>£m | Share premium<br>£m | Capital redemption<br>reserve<br>£m | Retained earnings<br>£m | Total<br>£m    |
|----------------------------------------|---------------------|---------------------|-------------------------------------|-------------------------|----------------|
| <b>Company</b>                         |                     |                     |                                     |                         |                |
| <b>Balance at 1 January 2016</b>       | 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)         |
| <b>Transactions with owners:</b>       |                     |                     |                                     |                         |                |
| 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            |
| <b>Balance at 31 December 2016</b>     | <b>30.8</b>         | <b>10.6</b>         | <b>236.5</b>                        | <b>1,116.7</b>          | <b>1,394.6</b> |
| Profit for the year                    | –                   | –                   | –                                   | 876.6                   | 876.6          |
| Other comprehensive income             | –                   | –                   | –                                   | 18.4                    | 18.4           |
| <b>Transactions with owners:</b>       |                     |                     |                                     |                         |                |
| Dividends on equity shares             | –                   | –                   | –                                   | (416.6)                 | (416.6)        |
| Issue of new shares                    | 0.1                 | 2.9                 | –                                   | –                       | 3.0            |
| Exercise of share options/share awards | –                   | –                   | –                                   | (0.9)                   | (0.9)          |
| Share-based payments                   | –                   | –                   | –                                   | 39.3                    | 39.3           |
| Other reserve movements                | –                   | –                   | –                                   | 0.9                     | 0.9            |
| <b>Balance at 31 December 2017</b>     | <b>30.9</b>         | <b>13.5</b>         | <b>236.5</b>                        | <b>1,634.4</b>          | <b>1,915.3</b> |

During the year the Company received dividends from wholly owned subsidiary undertakings of £885.0m (2016: £380.0m).

Retained earnings include £19.4m of non-distributable items (2016: £23.1m).

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

**CASH FLOW STATEMENTS**

For the year ended 31 December 2017

|                                                         | Note | Group<br>2017<br>£m | Group<br>2016<br>£m | Company<br>2017<br>£m | Company<br>2016<br>£m |
|---------------------------------------------------------|------|---------------------|---------------------|-----------------------|-----------------------|
| <b>Cash flows from operating activities:</b>            |      |                     |                     |                       |                       |
| Profit for the year                                     |      | <b>786.9</b>        | 625.3               | <b>876.6</b>          | 373.9                 |
| Tax charge/(credit)                                     | 10.1 | <b>179.2</b>        | 149.5               | <b>(1.9)</b>          | (0.6)                 |
| Finance income                                          | 8    | <b>(24.5)</b>       | (19.8)              | <b>(7.3)</b>          | (2.3)                 |
| Finance costs                                           | 8    | <b>13.5</b>         | 15.5                | <b>1.4</b>            | 1.4                   |
| Depreciation charge                                     | 14   | <b>8.4</b>          | 8.0                 | <b>0.5</b>            | 0.4                   |
| Amortisation of intangible assets                       | 13   | <b>-</b>            | -                   | <b>0.3</b>            | 0.2                   |
| Impairment of intangible assets                         | 13   | <b>11.0</b>         | 8.0                 | <b>-</b>              | -                     |
| Share-based payment charge                              |      | <b>18.8</b>         | 14.0                | <b>18.8</b>           | 14.0                  |
| Net imputed interest income                             |      | <b>5.0</b>          | 3.9                 | <b>-</b>              | -                     |
| Other non-cash items                                    |      | <b>(1.5)</b>        | (3.9)               | <b>2.0</b>            | 1.9                   |
| <b>Cash inflow from operating activities</b>            |      | <b>996.8</b>        | 800.5               | <b>890.4</b>          | 388.9                 |
| Movements in working capital:                           |      |                     |                     |                       |                       |
| (Increase)/decrease in inventories                      |      | <b>(176.6)</b>      | 7.8                 | <b>-</b>              | -                     |
| Increase in trade and other receivables                 |      | <b>(20.5)</b>       | (18.3)              | <b>(82.4)</b>         | (277.2)               |
| Increase/(decrease) in trade and other payables         |      | <b>131.1</b>        | 11.1                | <b>(78.5)</b>         | 493.9                 |
| Decrease in available for sale financial assets         |      | <b>46.6</b>         | 44.6                | <b>-</b>              | -                     |
| Cash generated from operations                          |      | <b>977.4</b>        | 845.7               | <b>729.5</b>          | 605.6                 |
| Interest paid                                           |      | <b>(3.9)</b>        | (4.0)               | <b>(1.5)</b>          | (1.6)                 |
| Interest received                                       |      | <b>3.4</b>          | 3.1                 | <b>1.1</b>            | 1.3                   |
| Tax (paid)/received                                     |      | <b>(152.9)</b>      | (146.6)             | <b>10.0</b>           | 3.4                   |
| <b>Net cash inflow from operating activities</b>        |      | <b>824.0</b>        | 698.2               | <b>739.1</b>          | 608.7                 |
| <b>Cash flows from investing activities:</b>            |      |                     |                     |                       |                       |
| Purchase of property, plant and equipment               | 14   | <b>(18.0)</b>       | (14.7)              | <b>(0.4)</b>          | (0.9)                 |
| Proceeds from sale of property, plant and equipment     |      | <b>0.3</b>          | 0.8                 | <b>-</b>              | -                     |
| <b>Net cash outflow from investing activities</b>       |      | <b>(17.7)</b>       | (13.9)              | <b>(0.4)</b>          | (0.9)                 |
| <b>Cash flows from financing activities:</b>            |      |                     |                     |                       |                       |
| Financing transaction costs                             |      | <b>-</b>            | (0.9)               | <b>-</b>              | (0.9)                 |
| Payment of Partnership Liability                        |      | <b>(3.0)</b>        | (2.8)               | <b>-</b>              | -                     |
| Own shares purchased                                    |      | <b>-</b>            | (1.0)               | <b>-</b>              | (1.0)                 |
| Share options consideration                             |      | <b>3.0</b>          | 1.3                 | <b>3.0</b>            | 1.3                   |
| Dividends paid                                          | 11   | <b>(416.6)</b>      | (338.3)             | <b>(416.6)</b>        | (338.3)               |
| <b>Net cash outflow from financing activities</b>       |      | <b>(416.6)</b>      | (341.7)             | <b>(413.6)</b>        | (338.9)               |
| <b>Increase in net cash and cash equivalents</b>        | 24   | <b>389.7</b>        | 342.6               | <b>325.1</b>          | 268.9                 |
| Cash and cash equivalents at the beginning of the year  |      | <b>913.0</b>        | 570.4               | <b>711.4</b>          | 442.5                 |
| <b>Cash and cash equivalents at the end of the year</b> | 24   | <b>1,302.7</b>      | 913.0               | <b>1,036.5</b>        | 711.4                 |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2017:

- Amendments to IAS 7 Disclosure Initiatives
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to IFRS Standards 2014-2016 Cycle

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

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

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases

The Group is currently considering the implication of these new standards with the expected impact upon the Group as follows:

IFRS 15 Revenue from Contracts with Customers will be effective and will be applied by the Group from 1 January 2018. Currently the Group recognises revenue at the fair value of the consideration received or receivable on the legal completion of a residential property. On applying IFRS 15 revenue from the sale of residential properties will continue to be recognised on a consistent basis and will also include the fair value of the consideration received or receivable on the sale of part exchange properties. The revenues associated with the sale of part exchange properties are currently included as a reduction in cost of sales as the purchase and sale of part exchange properties is regarded as a mechanism for selling. Applying IFRS 15 will result in an increase to both revenue and cost of sales. There will be no impact on the reported profit from operations but there will be a decrease in the reported operating margin. There would be no impact on the Group's cash flows.

Were IFRS 15 applied to the years ended 31 December 2017 and 2016 both revenue and cost of sales would have been increased by £175.5m and £176.8m respectively. Reported profit from operations would have remained at £955.1m for 2017 and £770.5m for 2016. Reported operating margin for 2017 would have decreased to 26.5% from 27.9%, with 2016 decreasing from 24.6% to 23.3%.

IFRS 9 Financial Instruments will be effective for the Group from 1 January 2018 and will replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard affects the classification, measurement, impairment and de-recognition of financial instruments. We do not currently expect the standard to have a material impact on our reported consolidated results.

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 1 to 44. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 18 to 26 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 2017 the Group had cash and deposits of £1,302.7m and £300.0m of undrawn committed bank facilities available to meet future funding requirements.

## NOTES TO THE FINANCIAL STATEMENTS

### continued

#### 2 Accounting policies (continued)

At 31 December 2017, the net cash position of the Group was £1,302.7m (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.

#### 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.

## 2 Accounting policies (continued)

### 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.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### continued

## 2 Accounting policies (continued)

### 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.

### 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.

## 2 Accounting policies (continued)

### 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.

### 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 2017, 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 2017 the asset recognised on the balance sheet was £117.3m (2016: £148.7m).

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 3 Critical accounting judgements and key sources of estimation uncertainty (continued)

#### 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 £142.6m with an impairment of £11.0m 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 2017.

#### 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.

### 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:

|                                                            | 2017<br>£m | 2016<br>£m |
|------------------------------------------------------------|------------|------------|
| Revenue as noted in the statement of comprehensive income: |            |            |
| Sale of goods                                              | 3,422.3    | 3,136.8    |
| Other operating income                                     | 9.4        | 6.8        |
| Finance income                                             | 24.5       | 19.8       |
| Total revenue                                              | 3,456.2    | 3,163.4    |

Sale of goods includes £180.4m (2016: £173.1m) 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 £175.5m (2016: £176.8m).

### 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 70 to 79. A summary of key management remuneration is as follows:

|                          | 2017<br>£m | 2016<br>£m |
|--------------------------|------------|------------|
| Short-term benefits      | 4.5        | 4.5        |
| Post-employment benefits | –          | –          |
| Share-based payments     | 8.2        | 7.5        |
|                          | 12.7       | 12.0       |

No termination benefits were paid to key management personnel. Total gains on exercise of options by key management in the year amounted to £0.1m (2016: £13.5m).

## 7 Employees

### Group

The average monthly number of persons (including Executive Directors) employed by the Group during the year was 4,535 (2016: 4,526).

|                                      | 2017<br>£m | 2016<br>£m |
|--------------------------------------|------------|------------|
| Staff costs (for the above persons): |            |            |
| Wages and salaries                   | 166.1      | 160.4      |
| Social security costs                | 53.0       | 16.7       |
| Pensions charge                      | 4.1        | 4.5        |
| Share-based payments                 | 18.8       | 14.0       |
|                                      | 242.0      | 195.6      |

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 213 (2016: 205).

|                                      | 2017<br>£m | 2016<br>£m |
|--------------------------------------|------------|------------|
| Staff costs (for the above persons): |            |            |
| Wages and salaries                   | 14.1       | 14.1       |
| Social security costs                | 37.2       | 1.7        |
| Pensions charge                      | 1.3        | 1.3        |
| Share-based payments                 | 18.8       | 14.0       |
|                                      | 71.4       | 31.1       |

## 8 Net finance income

|                                                         | 2017<br>£m | 2016<br>£m |
|---------------------------------------------------------|------------|------------|
| <b>Recognised in profit after tax</b>                   |            |            |
| Interest receivable on bank deposits                    | 1.8        | 1.7        |
| Imputed interest on available for sale financial assets | 15.2       | 15.9       |
| Net interest on pension asset                           | 1.0        | 0.8        |
| Other interest receivable                               | 6.5        | 1.4        |
| <b>Finance income</b>                                   | 24.5       | 19.8       |
| Interest expense on bank overdrafts and loans           | 1.0        | 1.1        |
| Imputed interest on deferred land payables              | 10.2       | 12.0       |
| Interest on Partnership liability                       | 2.3        | 2.4        |
| <b>Finance costs</b>                                    | 13.5       | 15.5       |
| <b>Net finance income</b>                               | 11.0       | 4.3        |

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 9 Profit from operations

|                                                              | 2017<br>£m | 2016<br>£m |
|--------------------------------------------------------------|------------|------------|
| Profit from operations is stated after charging/(crediting): |            |            |
| Staff costs (note 7)                                         | 242.0      | 195.6      |
| Profit on sale of land holdings                              | (6.0)      | (5.1)      |
| Government grants                                            | (0.1)      | (0.1)      |
| Rent receivable                                              | (3.2)      | (1.4)      |
| (Profit)/Loss on sale of property, plant and equipment       | (0.2)      | 0.3        |
| Depreciation of owned assets                                 | 8.4        | 8.0        |
| Impairment of intangible assets                              | 11.0       | 8.0        |
| Operating lease charges                                      | 5.0        | 5.4        |

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 in respect of:

|                                                                   | 2017<br>£'000 | 2016<br>£'000 |
|-------------------------------------------------------------------|---------------|---------------|
| <b>Audit fees</b>                                                 |               |               |
| Audit of the Parent Company and consolidated financial statements | 149           | 145           |
| The audit of the Company's subsidiaries pursuant to legislation   | 20            | 20            |
| Total fees for the audit of the Company and its subsidiaries      | 169           | 165           |
| <b>Non-audit fees</b>                                             |               |               |
| Audit related assurance services                                  | 46            | 45            |
| Tax advisory services                                             | –             | –             |
| Total non-audit fees                                              | 46            | –             |
|                                                                   | 215           | 210           |

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 for non-audit services amounted to £110,163 (2016: £78,046).

## 10 Tax

### 10.1 Analysis of the tax charge for the year

|                                                                                   | 2017<br>£m | 2016<br>£m |
|-----------------------------------------------------------------------------------|------------|------------|
| Tax charge comprises:                                                             |            |            |
| UK corporation tax in respect of the current year                                 | 187.1      | 153.6      |
| Adjustments in respect of prior years                                             | (8.4)      | (11.3)     |
|                                                                                   | 178.7      | 142.3      |
| Deferred tax relating to origination and reversal of temporary differences        | 1.0        | 3.0        |
| Adjustments recognised in the current year in respect of prior years deferred tax | (0.5)      | 4.2        |
|                                                                                   | 0.5        | 7.2        |
|                                                                                   | 179.2      | 149.5      |

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

|                                                                 | 2017<br>£m | 2016<br>£m |
|-----------------------------------------------------------------|------------|------------|
| Profit from continuing operations                               | 966.1      | 774.8      |
| Tax calculated at UK corporation tax rate of 19.25% (2016: 20%) | 186.0      | 155.0      |
| Accounting base cost not deductible for tax purposes            | –          | 0.1        |
| Goodwill impairment losses that are not deductible              | 2.1        | 1.6        |
| Expenditure not allowable for tax purposes                      | 0.2        | 0.1        |
| Effect of change in rate of corporation tax                     | (0.1)      | (0.2)      |
| Adjustments in respect of prior years                           | (9.0)      | (7.1)      |
| Tax charge for the year recognised in profit                    | 179.2      | 149.5      |

The Group's overall effective tax rate of 18.6% has been reduced from the mainstream rate of 19.25% 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% in the prior year to 19.25% in line with corporation tax rates effective from 1 April 2017. In relation to the Group's deferred tax calculations, a further corporation tax rate change enacted on 15 September 2016 effective from 1 April 2020 (17%) has been used.

### 10.2 Deferred tax recognised in other comprehensive income/(expense) (note 22)

|                                                               | 2017<br>£m | 2016<br>£m |
|---------------------------------------------------------------|------------|------------|
| Recognised on remeasurement gains/(losses) on pension schemes | 3.7        | (4.4)      |

### 10.3 Deferred tax recognised directly in equity (note 22)

|                                                         | 2017<br>£m | 2016<br>£m |
|---------------------------------------------------------|------------|------------|
| <b>Arising on transactions with equity participants</b> |            |            |
| Relating to equity-settled transactions                 | (47.4)     | 0.7        |

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 11 Dividends/Return of capital

|                                                                       | 2017<br>£m   | 2016<br>£m   |
|-----------------------------------------------------------------------|--------------|--------------|
| Amounts recognised as distributions to capital holders in the period: |              |              |
| 2015 dividend to all shareholders of 110p per share paid 2016         | -            | 338.3        |
| 2016 dividend to all shareholders of 25p per share paid 2017          | 77.1         | -            |
| 2016 dividend to all shareholders of 110p per share paid 2017         | 339.5        | -            |
| <b>Total capital return</b>                                           | <b>416.6</b> | <b>338.3</b> |

The Directors propose to return 125p of surplus capital to shareholders for each ordinary share in issue held at 6.00pm on 9 March 2018 with payment made on 29 March 2018 as an interim dividend in respect of the financial year ended 31 December 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 15 June 2018 with payment made on 2 July 2018 as a final dividend in respect of the financial year ended 31 December 2017. The total return to shareholders is therefore 235p per share (2017: 135p per share) in respect of the financial year ended 31 December 2017.

The Parent Company received £885.0m dividends from wholly owned subsidiary undertakings during 2017 (2016: £380.0m).

### 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 308.6m (2016: 308.0m).

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 323.7m (2016: 317.5m).

Underlying earnings per share excludes goodwill impairment. The earnings per share from continuing operations were as follows:

|                                       | 2017          | 2016   |
|---------------------------------------|---------------|--------|
| Basic earnings per share              | <b>255.0p</b> | 203.0p |
| Underlying basic earnings per share   | <b>258.6p</b> | 205.6p |
| Diluted earnings per share            | <b>243.1p</b> | 197.0p |
| Underlying diluted earnings per share | <b>246.5p</b> | 199.5p |

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

|                                                  | 2017<br>£m    | 2016<br>£m |
|--------------------------------------------------|---------------|------------|
| Underlying earnings attributable to shareholders | <b>797.9</b>  | 633.3      |
| Goodwill impairment                              | <b>(11.0)</b> | (8.0)      |
| Earnings attributable to shareholders            | <b>786.9</b>  | 625.3      |

### 13 Intangible assets

| Group                                                                   | Goodwill<br>£m | Brand<br>£m | Know-how<br>£m | Total<br>£m  |
|-------------------------------------------------------------------------|----------------|-------------|----------------|--------------|
| <b>Cost</b>                                                             |                |             |                |              |
| <b>At 1 January 2016, 1 January 2017 and 31 December 2017</b>           | <b>408.8</b>   | <b>60.0</b> | <b>1.9</b>     | <b>470.7</b> |
| <b>Accumulated impairment losses/amortisation</b>                       |                |             |                |              |
| At 1 January 2016                                                       | 247.2          | –           | 1.9            | 249.1        |
| Impairment losses for the year – utilisation of strategic land holdings | 8.0            | –           | –              | 8.0          |
| <b>At 1 January 2017</b>                                                | <b>255.2</b>   | <b>–</b>    | <b>1.9</b>     | <b>257.1</b> |
| Impairment losses for the year – utilisation of strategic land holdings | 11.0           | –           | –              | 11.0         |
| <b>At 31 December 2017</b>                                              | <b>266.2</b>   | <b>–</b>    | <b>1.9</b>     | <b>268.1</b> |
| <b>Carrying amount</b>                                                  |                |             |                |              |
| <b>At 31 December 2017</b>                                              | <b>142.6</b>   | <b>60.0</b> | <b>–</b>       | <b>202.6</b> |
| At 31 December 2016                                                     | 153.6          | 60.0        | –              | 213.6        |

Goodwill brought forward at the start of the year of £153.6m includes £126.6m (2016: £132.9m) 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 (2016: £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 -3% to +1% (2016: -4% 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 -4% to +2% (2016: -3% to +2%).

After this period the growth rates applied to calculate the cash flow forecasts vary between nil and 2% (2016: 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% (2016: 5% and 8%) over the forecast periods.

## 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 £11.0m (2016: £8.0m). 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 £80.7m (2016: £89.5m) and £24.9m (2016: £27.1m) of Beazer and Westbury goodwill allocated to strategic land holdings and £37.0m (2016: £37.0m) allocated to the Charles Church brand. In addition, there is £60.0m (2016: £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<br>£m |
|---------------------------------------------------------------|------------------|
| <b>Cost</b>                                                   |                  |
| <b>At 1 January 2016, 1 January 2017 and 31 December 2017</b> | <b>5.0</b>       |
| <b>Amortisation</b>                                           |                  |
| At 1 January 2016                                             | 3.0              |
| Charge for the year                                           | 0.2              |
| At 1 January 2017                                             | 3.2              |
| Charge for the year                                           | 0.3              |
| <b>At 31 December 2017</b>                                    | <b>3.5</b>       |
| <b>Carrying amount</b>                                        |                  |
| <b>At 31 December 2017</b>                                    | <b>1.5</b>       |
| At 31 December 2016                                           | 1.8              |

## 14 Property, plant and equipment

| Group                           | Land and<br>buildings<br>£m | Plant<br>£m | Fixtures and<br>fittings<br>£m | Total<br>£m  |
|---------------------------------|-----------------------------|-------------|--------------------------------|--------------|
| <b>Cost</b>                     |                             |             |                                |              |
| 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 1 January 2017               | 29.1                        | 69.9        | 14.0                           | 113.0        |
| Additions                       | 6.5                         | 9.5         | 2.0                            | 18.0         |
| Disposals                       | –                           | (1.6)       | (0.4)                          | (2.0)        |
| <b>At 31 December 2017</b>      | <b>35.6</b>                 | <b>77.8</b> | <b>15.6</b>                    | <b>129.0</b> |
| <b>Accumulated depreciation</b> |                             |             |                                |              |
| 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 1 January 2017               | 4.1                         | 54.3        | 11.6                           | 70.0         |
| Charge for the year             | 0.5                         | 6.8         | 1.1                            | 8.4          |
| Disposals                       | –                           | (1.5)       | (0.4)                          | (1.9)        |
| <b>At 31 December 2017</b>      | <b>4.6</b>                  | <b>59.6</b> | <b>12.3</b>                    | <b>76.5</b>  |
| <b>Carrying amount</b>          |                             |             |                                |              |
| <b>At 31 December 2017</b>      | <b>31.0</b>                 | <b>18.2</b> | <b>3.3</b>                     | <b>52.5</b>  |
| At 31 December 2016             | 25.0                        | 15.6        | 2.4                            | 43.0         |

At 31 December 2017, the Group had £0.3m contractual commitments for the acquisition of property, plant and equipment (2016: £1.9m).

At 31 December 2017, the Group had no assets held for sale (2016: £nil).

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 14 Property, plant and equipment (continued)

| Company                         | Land and buildings<br>£m | Computer equipment, fixtures and fittings<br>£m | Total<br>£m |
|---------------------------------|--------------------------|-------------------------------------------------|-------------|
| <b>Cost</b>                     |                          |                                                 |             |
| At 1 January 2016               | 1.9                      | 2.9                                             | 4.8         |
| Additions                       | –                        | 0.9                                             | 0.9         |
| Disposals                       | –                        | (0.2)                                           | (0.2)       |
| At 1 January 2017               | 1.9                      | 3.6                                             | 5.5         |
| Additions                       | 0.1                      | 0.3                                             | 0.4         |
| Disposals                       | –                        | (0.3)                                           | (0.3)       |
| <b>At 31 December 2017</b>      | <b>2.0</b>               | <b>3.6</b>                                      | <b>5.6</b>  |
| <b>Accumulated depreciation</b> |                          |                                                 |             |
| At 1 January 2016               | 0.5                      | 2.2                                             | 2.7         |
| Charge for the year             | –                        | 0.4                                             | 0.4         |
| Disposals                       | –                        | (0.2)                                           | (0.2)       |
| At 1 January 2017               | 0.5                      | 2.4                                             | 2.9         |
| Charge for the year             | 0.1                      | 0.4                                             | 0.5         |
| Disposals                       | –                        | (0.3)                                           | (0.3)       |
| <b>At 31 December 2017</b>      | <b>0.6</b>               | <b>2.5</b>                                      | <b>3.1</b>  |
| <b>Carrying amount</b>          |                          |                                                 |             |
| <b>At 31 December 2017</b>      | <b>1.4</b>               | <b>1.1</b>                                      | <b>2.5</b>  |
| At 31 December 2016             | 1.4                      | 1.2                                             | 2.6         |

### 15 Investments

#### 15.1 Investments accounted for using the equity method

| Group                                                         | Investments in joint ventures<br>£m |
|---------------------------------------------------------------|-------------------------------------|
| <b>Cost</b>                                                   |                                     |
| <b>At 1 January 2016, 1 January 2017 and 31 December 2017</b> | <b>3.0</b>                          |

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 Turísticos 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:

|                                     | 2017<br>£m | 2016<br>£m |
|-------------------------------------|------------|------------|
| Non-current assets                  | 0.9        | 0.5        |
| Current assets                      | 6.3        | 6.0        |
| Current liabilities                 | (4.2)      | (3.5)      |
| <b>Net assets of joint ventures</b> | <b>3.0</b> | <b>3.0</b> |

The Group's share of the income and expenses of joint ventures is as follows:

|                                           | 2017<br>£m | 2016<br>£m |
|-------------------------------------------|------------|------------|
| Income                                    | 3.6        | 1.8        |
| Expenses                                  | (3.6)      | (1.8)      |
| <b>Share of results of joint ventures</b> | <b>-</b>   | <b>-</b>   |

**15.2 Investments in subsidiaries**

| Company                                                  | 2017<br>£m | 2016<br>£m |
|----------------------------------------------------------|------------|------------|
| <b>Cost</b>                                              |            |            |
| At 1 January 2016, 31 December 2016 and 31 December 2017 | 3,540.7    | 3,540.7    |
| <b>Impairment</b>                                        |            |            |
| At 1 January 2016, 31 December 2016 and 31 December 2017 | 335.0      | 335.0      |
| <b>Net book value</b>                                    |            |            |
| 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 (2016: £nil impairment). Details of Group undertakings are set out in notes 31 and 33.

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 16 Available for sale financial assets

| Group                  | 2017<br>£m | 2016<br>£m |
|------------------------|------------|------------|
| At 1 January           | 148.7      | 177.9      |
| Additions              | –          | 0.5        |
| Settlements            | (46.6)     | (45.6)     |
| Gains (Finance income) | 15.2       | 15.9       |
| At 31 December         | 117.3      | 148.7      |

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 £4.9m (2016: £5.9m) 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 2017 (2016: £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

|                          | 2017<br>£m | 2016<br>£m |
|--------------------------|------------|------------|
| Land                     | 2,010.6    | 1,946.4    |
| Work in progress         | 723.9      | 617.2      |
| Part exchange properties | 45.2       | 37.1       |
| Showhouses               | 46.2       | 44.3       |
|                          | 2,825.9    | 2,645.0    |

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 2017. Our approach to this review has been consistent with that conducted at 31 December 2016. This review gave rise to a reversal of £1.0m (2016: £7.7m) of provision on inventories that were written down in a previous accounting period and an impairment of land and work in progress of £nil (2016: £7.7m). 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 2017 were £41.9m (2016: £48.5m).

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 2017 review, £28.3m (2016: £34.1m) 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 £1,035.9m (2016: £1,031.0m) was used as security for land payables (note 20).

The value of inventories expensed in 2017 and included in cost of sales was £2,259.7m (2016: £2,165.5m).

**18 Trade and other receivables**

|                                    | Group<br>2017<br>£m | Group<br>2016<br>£m | Company<br>2017<br>£m | Company<br>2016<br>£m |
|------------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| <b>Non-current assets</b>          |                     |                     |                       |                       |
| Other receivables                  | 7.0                 | 8.8                 | –                     | –                     |
| <b>Current assets</b>              |                     |                     |                       |                       |
| Trade receivables                  | 59.1                | 49.3                | –                     | –                     |
| Other receivables                  | 21.9                | 50.8                | 20.1                  | 43.7                  |
| Amounts owed by Group undertakings | –                   | –                   | 1,313.3               | 1,231.5               |
| Prepayments and accrued income     | 5.1                 | 3.6                 | 1.2                   | 0.3                   |
|                                    | 86.1                | 103.7               | 1,334.6               | 1,275.5               |

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.

|                                                       | 2017<br>£m | 2016<br>£m |
|-------------------------------------------------------|------------|------------|
| <b>Ageing of overdue but not impaired receivables</b> |            |            |
| Less than 3 months                                    | 9.6        | 5.2        |
| Over 3 months                                         | 3.1        | 3.1        |
|                                                       | 12.7       | 8.3        |

The carrying value of trade and other receivables are stated after the following allowance for doubtful receivables:

|                            | 2017<br>£m | 2016<br>£m |
|----------------------------|------------|------------|
| <b>Group</b>               |            |            |
| At 1 January               | 2.1        | 2.8        |
| Impairment losses charged  | 6.7        | 0.1        |
| Impairment losses reversed | (0.2)      | (0.8)      |
| At 31 December             | 8.6        | 2.1        |

**19 Borrowings**

Detailed disclosure of the Group's usage of financial instruments is included in note 21. There are £nil borrowings at 31 December 2017 (2016: £nil).

The contractual repayment terms of facilities are as noted below.

|                      | Currency | Nominal<br>interest rate | Year of<br>maturity | 2017<br>£m | 2016<br>£m |
|----------------------|----------|--------------------------|---------------------|------------|------------|
| Bank overdrafts      | GBP      | Base +1%-3.25%           | 2018                | 53.0       | 53.0       |
| Syndicated loan      | GBP      | LIBOR +0.9%              | 2022                | 300.0      | 300.0      |
| Available facilities |          |                          |                     | 353.0      | 353.0      |

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 20 Trade and other payables

|                                           | Group<br>2017<br>£m | Group<br>2016<br>£m | Company<br>2017<br>£m | Company<br>2016<br>£m |
|-------------------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| <b>Non-current liabilities</b>            |                     |                     |                       |                       |
| Land payables                             | 281.8               | 276.1               | –                     | –                     |
| Other payables                            | 12.3                | 57.2                | 1.5                   | 40.0                  |
|                                           | <b>294.1</b>        | <b>333.3</b>        | <b>1.5</b>            | <b>40.0</b>           |
|                                           |                     |                     |                       |                       |
|                                           | Group<br>2017<br>£m | Group<br>2016<br>£m | Company<br>2017<br>£m | Company<br>2016<br>£m |
| <b>Current liabilities</b>                |                     |                     |                       |                       |
| Trade payables                            | 241.8               | 222.1               | 1.4                   | 1.3                   |
| Land payables                             | 285.5               | 278.8               | –                     | –                     |
| Deposits and on account contract receipts | 67.9                | 47.5                | –                     | –                     |
| Other payables                            | 49.3                | 7.7                 | 56.5                  | 10.4                  |
| Accrued expenses                          | 455.1               | 378.9               | 16.4                  | 18.4                  |
| Amounts owed to Group undertakings        | –                   | –                   | 3,704.6               | 3,794.0               |
|                                           | <b>1,099.6</b>      | <b>935.0</b>        | <b>3,778.9</b>        | <b>3,824.1</b>        |

Trade payables subject to payment terms were 16 days (2016: 15 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 2017 the Group also holds €1.9m of cash related to anticipated plant purchases.

## 21 Financial risk management (continued)

The Group has no other significant currency exposures.

The following exchange rates applied during the year:

|      | 2017         |                    | 2016         |                    |
|------|--------------|--------------------|--------------|--------------------|
|      | Average rate | Year end spot rate | Average rate | Year end spot rate |
| Euro | 1.14         | 1.13               | 1.22         | 1.17               |

The Group's exposure to foreign currency risk may be summarised as follows:

|             | 2017<br>€m | 2016<br>€m |
|-------------|------------|------------|
| Investments | 3.1        | 3.2        |
| Cash        | 1.7        | 1.8        |
| Total       | 4.8        | 5.0        |

### Sensitivity analysis

A rise/fall in the Euro/Sterling exchange rate of 10% would result in a £0.5m loss/gain in relation to investments (2016: £0.4m).

### 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 2017 UK interest rates had been 0.25% higher/lower than the Group's pre-tax profit would have increased/decreased by £2.0m (2016: increased/decreased by £1.0m). The Group's post-tax profit would have increased/decreased by £1.6m (2016: increased/decreased by £0.8m).

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 2017, 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 £5.9m (2016: £7.4m).

### 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 2022. These committed facilities are sufficient to meet projected liquidity requirements to this date. Undrawn committed facilities at the reporting date amount to £300m (2016: £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 1 to 44.

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):

|                          | 2017<br>Carrying<br>amount<br>£m | Contractual<br>cash flows<br>£m | Less than<br>1 year<br>£m | 1-2<br>years<br>£m | 2-5<br>years<br>£m | Over<br>5 years<br>£m |
|--------------------------|----------------------------------|---------------------------------|---------------------------|--------------------|--------------------|-----------------------|
| <b>Group</b>             |                                  |                                 |                           |                    |                    |                       |
| Trade and other payables | 758.5                            | 758.5                           | 746.2                     | 4.6                | 5.7                | 2.0                   |
| Land payables            | 567.3                            | 568.8                           | 286.3                     | 127.0              | 132.9              | 22.6                  |
| Partnership liability    | 43.9                             | 55.5                            | 5.4                       | 5.4                | 16.5               | 28.2                  |
| Financial liabilities    | 1,369.7                          | 1,382.8                         | 1,037.9                   | 137.0              | 155.1              | 52.8                  |
|                          |                                  |                                 |                           |                    |                    |                       |
|                          | 2016<br>Carrying<br>amount<br>£m | Contractual<br>cash flows<br>£m | Less than<br>1 year<br>£m | 1-2<br>years<br>£m | 2-5<br>years<br>£m | Over<br>5 years<br>£m |
| <b>Group</b>             |                                  |                                 |                           |                    |                    |                       |
| 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                  |

## 21 Financial risk management (continued)

| Company                  | 2017<br>Carrying<br>amount<br>£m | Contractual<br>cash flows<br>£m | Less than<br>1 year<br>£m | 1–2<br>years<br>£m | 2–5<br>years<br>£m | Over<br>5 years<br>£m |
|--------------------------|----------------------------------|---------------------------------|---------------------------|--------------------|--------------------|-----------------------|
| Trade and other payables | 3,780.4                          | 3,780.4                         | 3,778.9                   | 0.8                | 0.7                | –                     |
| Financial liabilities    | 3,780.4                          | 3,780.4                         | 3,778.9                   | 0.8                | 0.7                | –                     |

It is noted that £3,704.6m (2016: £3,794.0m) 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                  | 2016<br>Carrying<br>amount<br>£m | Contractual<br>cash flows<br>£m | Less than<br>1 year<br>£m | 1–2<br>years<br>£m | 2–5<br>years<br>£m | Over<br>5 years<br>£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               | –                     |

### 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 2017. 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 £0.2m requirement for a charge in relation to credit impairment in the year (2016: £0.7m).

The maximum total credit risk is as follows:

| Group                               | 2017<br>£m | 2016<br>£m |
|-------------------------------------|------------|------------|
| Trade and other receivables         | 88.0       | 108.9      |
| Available for sale financial assets | 117.3      | 148.7      |
| Cash and cash equivalents           | 1,302.7    | 913.0      |
|                                     | 1,508.0    | 1,170.6    |

| Company                                                 | 2017<br>£m | 2016<br>£m |
|---------------------------------------------------------|------------|------------|
| Loans and receivables (including intercompany balances) | 1,333.4    | 1,275.2    |
| Cash and cash equivalents                               | 1,036.5    | 711.4      |
|                                                         | 2,369.9    | 1,986.6    |

The maximum credit exposure of the Group to overseas parties is under £0.1m (2016: under £0.1m) (Company: £nil (2016: £nil)).

The Group's credit risk is widely distributed. The maximum credit risk should any single party (excepting financial institutions) fail to perform is £7.4m (2016: £4.0m) and is not yet due (Company: £721.6m (2016: £664.2m) 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 £243.2m (2016: £220.5m).

## 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                               | 2017             |                      | 2016             |                      |
|-------------------------------------|------------------|----------------------|------------------|----------------------|
|                                     | Fair value<br>£m | Carrying value<br>£m | Fair value<br>£m | Carrying value<br>£m |
| Trade and other receivables         | 88.0             | 88.0                 | 108.9            | 108.9                |
| Available for sale financial assets | 117.3            | 117.3                | 148.7            | 148.7                |
| Cash and cash equivalents           | 1,302.7          | 1,302.7              | 913.0            | 913.0                |
| Trade and other payables            | (758.5)          | (758.5)              | (665.9)          | (665.9)              |
| Land payables                       | (567.3)          | (567.3)              | (554.9)          | (554.9)              |
| Partnership liability               | (45.5)           | (43.9)               | (49.0)           | (47.1)               |
|                                     | 136.7            | 138.3                | (99.2)           | (97.3)               |

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

| Company                     | 2017             |                      | 2016             |                      |
|-----------------------------|------------------|----------------------|------------------|----------------------|
|                             | Fair value<br>£m | Carrying value<br>£m | Fair value<br>£m | Carrying value<br>£m |
| Trade and other receivables | 1,333.4          | 1,333.4              | 1,275.2          | 1,275.2              |
| Cash and cash equivalents   | 1,036.5          | 1,036.5              | 711.4            | 711.4                |
| Trade and other payables    | (3,780.4)        | (3,780.4)            | (3,864.1)        | (3,864.1)            |
|                             | (1,410.5)        | (1,410.5)            | (1,877.5)        | (1,877.5)            |

Income and expense in relation to financial instruments is disclosed in note 8.

Financial assets and liabilities by category:

|                                         | Group      |            | Company    |            |
|-----------------------------------------|------------|------------|------------|------------|
|                                         | 2017<br>£m | 2016<br>£m | 2017<br>£m | 2016<br>£m |
| Available for sale financial assets     | 117.3      | 148.7      | –          | –          |
| Trade and other receivables             | 88.0       | 108.9      | 1,333.4    | 1,275.2    |
| Cash and cash equivalents               | 1,302.7    | 913.0      | 1,036.5    | 711.4      |
| Financial liabilities at amortised cost | (1,369.7)  | (1,267.9)  | (3,780.4)  | (3,864.1)  |
|                                         | 138.3      | (97.3)     | (1,410.5)  | (1,877.5)  |

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                               | 2017<br>Level 3<br>£m | 2016<br>Level 3<br>£m |
|-------------------------------------|-----------------------|-----------------------|
|                                     |                       |                       |
| Available for sale financial assets | 117.3                 | 148.7                 |

## 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 (2016: ten years) and discount rate 8% (2016: 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<br>£m | Retirement benefit obligation<br>£m | Share-based payment<br>£m | Intangible assets<br>£m | Imputed interest<br>£m | Other temporary differences<br>£m | Total<br>£m |
|--------------------------------------|------|------------------------------------|-------------------------------------|---------------------------|-------------------------|------------------------|-----------------------------------|-------------|
| At 1 January 2016                    |      | 1.7                                | (3.2)                               | 36.5                      | (10.8)                  | 4.1                    | –                                 | 28.3        |
| Credit/(charge) to profit and loss   | 10.1 | –                                  | (5.2)                               | 1.1                       | 0.6                     | (4.1)                  | 0.4                               | (7.2)       |
| Charge to other comprehensive income | 10.2 | –                                  | 4.4                                 | –                         | –                       | –                      | –                                 | 4.4         |
| Amounts taken directly to equity     | 10.3 | –                                  | –                                   | (0.7)                     | –                       | –                      | –                                 | (0.7)       |
| At 1 January 2017                    |      | 1.7                                | (4.0)                               | 36.9                      | (10.2)                  | –                      | 0.4                               | 24.8        |
| Credit/(charge) to profit and loss   | 10.1 | 0.2                                | (3.8)                               | 2.9                       | –                       | –                      | 0.2                               | (0.5)       |
| Charge to other comprehensive income | 10.2 | –                                  | (3.7)                               | –                         | –                       | –                      | –                                 | (3.7)       |
| Amounts taken directly to equity     | 10.3 | –                                  | –                                   | 47.4                      | –                       | –                      | –                                 | 47.4        |
| <b>At 31 December 2017</b>           |      | <b>1.9</b>                         | <b>(11.5)</b>                       | <b>87.2</b>               | <b>(10.2)</b>           | <b>–</b>               | <b>0.6</b>                        | <b>68.0</b> |

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:

|                                                       | 2017<br>£m | 2016<br>£m |
|-------------------------------------------------------|------------|------------|
| Share-based payments                                  | 87.2       | 36.9       |
| Other items, including accelerated capital allowances | 4.8        | 5.6        |
| Deferred tax assets                                   | 92.0       | 42.5       |
| Brands                                                | (10.2)     | (10.2)     |
| Other items, including accelerated capital allowances | (13.8)     | (7.5)      |
| Deferred tax liabilities                              | (24.0)     | (17.7)     |
| Net deferred tax asset                                | 68.0       | 24.8       |

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 22 Deferred tax (continued)

The Group has recognised deferred tax liabilities of £11.5m (2016: liabilities of £4.0m) on retirement benefit assets of £67.7m (2016: assets of £23.3m).

The following are the deferred tax assets and liabilities recognised by the Company and the movements thereon during the current and prior year:

|                                      | Accelerated<br>tax<br>depreciation<br>£m | Retirement<br>benefit<br>obligation<br>£m | Share-based<br>payment<br>£m | Other<br>temporary<br>differences<br>£m | Total<br>£m |
|--------------------------------------|------------------------------------------|-------------------------------------------|------------------------------|-----------------------------------------|-------------|
| 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)       |
| Charge to other comprehensive income | –                                        | 4.4                                       | –                            | –                                       | 4.4         |
| Amounts taken directly to equity     | –                                        | –                                         | (0.7)                        | –                                       | (0.7)       |
| At 1 January 2017                    | 0.2                                      | (4.0)                                     | 36.9                         | 2.8                                     | 35.9        |
| (Charge)/credit to profit and loss   | (0.1)                                    | (3.8)                                     | 2.9                          | (1.0)                                   | (2.0)       |
| Credit to other comprehensive income | –                                        | (3.7)                                     | –                            | –                                       | (3.7)       |
| Amounts taken directly to equity     | –                                        | –                                         | 15.1                         | –                                       | 15.1        |
| <b>At 31 December 2017</b>           | <b>0.1</b>                               | <b>(11.5)</b>                             | <b>54.9</b>                  | <b>1.8</b>                              | <b>45.3</b> |

No deferred tax assets and liabilities have been offset (2016: £nil).

### 23 Share capital

|                                                             | 2017<br>£m  | 2016<br>£m |
|-------------------------------------------------------------|-------------|------------|
| Allotted, called up and fully paid                          |             |            |
| 308,856,430 (2016: 308,498,409) ordinary shares of 10p each | <b>30.9</b> | 30.8       |

The Company has one class of ordinary shares which carry no right to fixed income. All issued shares are fully paid. During the year 358,021 ordinary shares (2016: 1,799,604) were issued to employees in satisfaction of share option exercises.

The Company has established an Employee Benefit Trust to hold shares for participants of the Company's various share schemes. The Trustee is Persimmon (Share Scheme Trustees) Limited, a subsidiary company. During 2017, the Trustee transferred 51,016 shares to employees. At 31 December 2017 the trust held 46,926 shares (2016: 97,942) on which dividends have been waived. The market value of these shares at 31 December 2017 was £1,284,834 (2016: £1,739,450).

#### Own shares

Own shares held at cost are reconciled as follows:

|                                              | Group<br>£m |
|----------------------------------------------|-------------|
| Balance at 31 December 2016                  | 1.3         |
| Own shares purchased                         | –           |
| Disposed of on exercise/vesting to employees | (0.7)       |
| <b>Balance at 31 December 2017</b>           | <b>0.6</b>  |

## 24 Reconciliation of net cash flow to net cash and analysis of net cash

| Group                                                  | 2017<br>£m | 2016<br>£m |
|--------------------------------------------------------|------------|------------|
| Increase in net cash and cash equivalents in cash flow | 389.7      | 342.6      |
| Net cash at 1 January                                  | 913.0      | 570.4      |
| Net cash at 31 December                                | 1,302.7    | 913.0      |

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 £280m (2016: £358m), 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 31.

## 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                                 | 2017<br>£m | 2016<br>£m |
|-------------------------------------------------|------------|------------|
| Expiring within one year                        | 2.2        | 2.3        |
| Expiring in the second to fifth years inclusive | 5.8        | 5.5        |
| Expiring after five years                       | 4.3        | 4.9        |
|                                                 | 12.3       | 12.7       |
| Company as lessee                               |            |            |
| Expiring within one year                        | -          | 0.1        |
| Expiring in the second to fifth years inclusive | 0.4        | 0.3        |
|                                                 | 0.4        | 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 (2016: 1.7 years). Property leases have an average term of 7.4 years to expiry (2016: 7.2 years).

## NOTES TO THE FINANCIAL STATEMENTS

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### 27 Retirement benefit assets

As at 31 December 2017 the Group operated four employee pension schemes, being two Group personal pension schemes and two defined benefit pension schemes. Remeasurement gains and losses in the defined benefit schemes are recognised in full as other comprehensive income/(expense) 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 £1.8m (2016: £1.7m) 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 payments equivalent to £2.2m p.a. are required for the Prowting Scheme for the period 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 Pension 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 Pension 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 Pension 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; and
- 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; and
- 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:

|                                     | 2017<br>£m | 2016<br>£m |
|-------------------------------------|------------|------------|
| Fair value of Pension Scheme assets | 649.1      | 605.6      |
| Present value of funded obligations | (581.4)    | (582.3)    |
| Net pension asset                   | 67.7       | 23.3       |

A deferred tax liability totalling £11.5m (2016: liability of £4.0m) has been recognised on the balance sheet in relation to the net pension asset.

Movements in the net pension asset on the balance sheet were as follows:

|                                            | 2017<br>£m | 2016<br>£m |
|--------------------------------------------|------------|------------|
| As at 1 January                            | 23.3       | 18.0       |
| Total gain/(loss) recognised in the period | 20.1       | (25.7)     |
| Company contributions paid in the period   | 24.3       | 31.0       |
| Net pension asset                          | 67.7       | 23.3       |

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 27 Retirement benefit assets (continued)

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:

|                                                                                 | 2017<br>£m    | 2016<br>£m  |
|---------------------------------------------------------------------------------|---------------|-------------|
| Current service cost                                                            | 2.3           | 2.4         |
| Administrative expense                                                          | 0.7           | 0.7         |
| Pension cost recognised as operating expense                                    | 3.0           | 3.1         |
| Interest cost                                                                   | 15.9          | 17.9        |
| Return on assets recorded as interest                                           | (16.9)        | (18.7)      |
| Pension cost recognised as net finance credit                                   | (1.0)         | (0.8)       |
| Total defined benefit pension cost recognised in profit or loss                 | 2.0           | 2.3         |
| Remeasurement (gains)/losses recognised in other comprehensive income/(expense) | (22.1)        | 23.4        |
| <b>Total defined benefit scheme (gain)/loss recognised</b>                      | <b>(20.1)</b> | <b>25.7</b> |

### Assets

The assets of the Pension Schemes have been calculated at fair value and are invested in the following asset classes:

|                                    | 2017<br>£m   | 2016<br>£m   |
|------------------------------------|--------------|--------------|
| Equity                             |              |              |
| – UK                               | 129.8        | 120.3        |
| – US                               | 80.1         | 70.0         |
| – Eurozone                         | 40.4         | 33.7         |
| – Other                            | 30.4         | 23.8         |
| Bonds                              |              |              |
| – Government                       | 121.0        | 118.0        |
| – Investment Grade corporate bonds | –            | 20.0         |
| – sub-investment grade             | 119.2        | 91.1         |
| Asset backed funding               | 45.5         | 49.0         |
| Diversified Growth Fund            | 57.7         | 56.3         |
| Cash                               | 25.0         | 23.4         |
| <b>Total</b>                       | <b>649.1</b> | <b>605.6</b> |

All assets have a quoted market value in an active market, with the exception of Asset backed funding of £45.5m (2016: £49.0m), which related to secured cash flows.

The Persimmon Scheme holds 93% (2016: 93%) of the gross assets of the Pension Schemes and 94% (2016: 94%) of the gross liabilities. The remainder relates to the Prowting Scheme. The Pension Schemes do not engage in investments in complex financial assets such as Insurance Contracts or Longevity Derivatives.

Changes in the fair value of scheme assets were as follows:

|                                       | 2017<br>£m   | 2016<br>£m   |
|---------------------------------------|--------------|--------------|
| As at 1 January                       | 605.6        | 512.0        |
| Return on assets recorded as interest | 16.9         | 18.7         |
| Remeasurement gains on assets         | 27.2         | 61.2         |
| Contributions                         | 24.3         | 31.0         |
| Benefits and expenses paid            | (24.9)       | (17.3)       |
| <b>As at 31 December</b>              | <b>649.1</b> | <b>605.6</b> |

## 27 Retirement benefit assets (continued)

### Defined Benefit Obligation

The liabilities of the Pension Schemes, at each balance sheet date, have been calculated on the following financial assumptions:

|                          | 2017<br>% p.a. | 2016<br>% p.a. |
|--------------------------|----------------|----------------|
| Discount rate            | 2.5            | 2.8            |
| General pay increases    | 3.2            | 3.2            |
| RPI Inflation assumption | 3.2            | 3.2            |
| CPI Inflation assumption | 2.1            | 2.1            |

Post retirement life expectancy for retirement aged members are as follows:

|                        | 2017<br>Years | 2016<br>Years |
|------------------------|---------------|---------------|
| Male current pensioner | 23.1          | 22.8          |
| Male future pensioner  | 24.0          | 24.0          |

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.

|                                            | 2017<br>£m | 2016<br>£m |
|--------------------------------------------|------------|------------|
| Total value of current employees' benefits | 50.2       | 81.1       |
| Deferred members' benefits                 | 248.1      | 226.9      |
| Pensioner members' benefits                | 283.1      | 274.3      |
| Total defined benefit obligation           | 581.4      | 582.3      |

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:

|                                     | 2017<br>£m | 2016<br>£m |
|-------------------------------------|------------|------------|
| As at 1 January                     | (582.3)    | (494.0)    |
| Current service cost                | (2.3)      | (2.4)      |
| Interest cost                       | (15.9)     | (17.9)     |
| Remeasurement losses on liabilities | (5.1)      | (84.6)     |
| Benefits paid                       | 24.2       | 16.6       |
| As at 31 December                   | (581.4)    | (582.3)    |

### 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.

|                                                              | 2017<br>£m | 2016<br>£m |
|--------------------------------------------------------------|------------|------------|
| Present value of defined benefit obligation (DBO)            | 581.4      | 582.3      |
| – DBO following a 0.25% decrease in the discount rate        | 607.2      | 608.4      |
| – DBO following a 0.25% increase in the discount rate        | 557.2      | 557.7      |
| – DBO following a 0.25% decrease in the inflation assumption | 566.6      | 568.3      |
| – DBO following a 0.25% increase in the inflation assumption | 597.1      | 596.9      |
| – DBO following a 1 year decrease to life expectancy         | 558.4      | 561.4      |
| – DBO following a 1 year increase to life expectancy         | 604.4      | 603.3      |

The sensitivity information shown above has been prepared using the same methodology as the calculation for the current DBO.

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 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. During the year the Group has made payments in relation to the Partnership liability (including interest) totalling £5.4m (2016: £5.4m).

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 were equity settled, however please note the comments regarding events after the Balance Sheet date (note 32).

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 and the return of cash to shareholders between 2017 and 2019 for options granted in 2017 under the Persimmon Plc 2017 Performance Share 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.

Reconciliations of share options outstanding during each period, under each type of share scheme are as follows:

|                                          | 2017<br>Savings-Related Share<br>Option Scheme |                                              | 2016<br>Savings-Related Share<br>Option Scheme |                                              |
|------------------------------------------|------------------------------------------------|----------------------------------------------|------------------------------------------------|----------------------------------------------|
|                                          | Number<br>of shares<br>under<br>option         | Weighted<br>average<br>exercise<br>price (p) | Number<br>of shares<br>under<br>option         | Weighted<br>average<br>exercise<br>price (p) |
| <b>Group and Company</b>                 |                                                |                                              |                                                |                                              |
| Outstanding at the beginning of the year | 954,092                                        | 1,312.0                                      | 885,557                                        | 1,186.3                                      |
| Granted during the year                  | 296,295                                        | 1,992.0                                      | 398,261                                        | 1,413.0                                      |
| Forfeited during the year                | (139,561)                                      | (1,426.2)                                    | (170,597)                                      | (1,385.4)                                    |
| Exercised during the year                | (286,107)                                      | (1,047.4)                                    | (159,129)                                      | (786.5)                                      |
| Outstanding at the end of the year       | 824,719                                        | 1,628.8                                      | 954,092                                        | 1,312.0                                      |
| Exercisable at the end of the year       | 89,289                                         | 1,136.5                                      | 51,837                                         | 901.9                                        |

|                                          | 2017<br>Bonus Share Scheme       |  | 2016<br>Bonus Share Scheme       |  |
|------------------------------------------|----------------------------------|--|----------------------------------|--|
|                                          | Number of<br>shares under option |  | Number of<br>shares under option |  |
| <b>Group and Company</b>                 |                                  |  |                                  |  |
| Outstanding at the beginning of the year | 76,006                           |  | 85,250                           |  |
| Granted during the year                  | 55,438                           |  | 57,937                           |  |
| Exercised during the year                | (51,016)                         |  | (67,181)                         |  |
| Outstanding at the end of the year       | 80,428                           |  | 76,006                           |  |
| Exercisable at the end of the year       | -                                |  | -                                |  |

**29 Share-based payments (continued)**

|                                          | 2017<br>Long Term Incentive<br>Plan 2007<br>Non HMRC Approved | 2016<br>Long Term Incentive<br>Plan 2007<br>Non HMRC Approved |
|------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|
|                                          | Number of<br>shares under option                              | Number of<br>shares under option                              |
| <b>Group and Company</b>                 |                                                               |                                                               |
| Outstanding at the beginning of the year | 8,860                                                         | 15,945                                                        |
| Forfeited during the year                | –                                                             | (5,182)                                                       |
| Exercised during the year                | (2,217)                                                       | (1,903)                                                       |
| Outstanding at the end of the year       | 6,643                                                         | 8,860                                                         |
| Exercisable at the end of the year       | 6,643                                                         | 8,860                                                         |

|                                          | 2017<br>Long Term Incentive<br>Plan 2007 HMRC<br>Approved |                                              | 2016<br>Long Term Incentive<br>Plan 2007 HMRC<br>Approved |                                              |
|------------------------------------------|-----------------------------------------------------------|----------------------------------------------|-----------------------------------------------------------|----------------------------------------------|
| Group and Company                        | Number<br>of shares<br>under<br>option                    | Weighted<br>average<br>exercise<br>price (p) | Number<br>of shares<br>under option                       | Weighted<br>average<br>exercise<br>price (p) |
| Outstanding at the beginning of the year | 3,320                                                     | 451.8                                        | 10,405                                                    | 432.5                                        |
| Exercised during the year                | –                                                         | –                                            | (7,085)                                                   | (423.4)                                      |
| Outstanding at the end of the year       | 3,320                                                     | 451.8                                        | 3,320                                                     | 451.8                                        |
| Exercisable at the end of the year       | 3,320                                                     | 451.8                                        | 3,320                                                     | 451.8                                        |

|                                          | 2017<br>Long Term Incentive<br>Plan 2012* | 2016<br>Long Term Incentive<br>Plan 2012* |
|------------------------------------------|-------------------------------------------|-------------------------------------------|
|                                          | Number of<br>shares under option          | Number of<br>shares under option          |
| <b>Group and Company</b>                 |                                           |                                           |
| Outstanding at the beginning of the year | 23,824,934                                | 26,066,279                                |
| Granted during the year                  | –                                         | 1,302,735                                 |
| Forfeited during the year                | (476,382)                                 | (1,912,603)                               |
| Exercised during the year                | (69,697)                                  | (1,631,477)                               |
| Outstanding at the end of the year       | 23,278,855                                | 23,824,934                                |
| Exercisable at the end of the year       | 9,311,503                                 | 1,081                                     |

\* 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.

|                                          | 2017<br>2017 Performance<br>Share Plan |
|------------------------------------------|----------------------------------------|
|                                          | Number of<br>shares under option       |
| <b>Group and Company</b>                 |                                        |
| Outstanding at the beginning of the year | –                                      |
| Granted during the year                  | 83,210                                 |
| Forfeited during the year                | (922)                                  |
| Outstanding at the end of the year       | 82,288                                 |
| Exercisable at the end of the year       | –                                      |

The weighted average share price at the date of exercise for share options exercised during the period was 2,383.5p (2016: 1,977.4p). The options outstanding at 31 December 2017 had a range of exercise prices from nil to 1,992.0p and a weighted average remaining contractual life of 3.9 years (2016: 4.9 years).

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 29 Share-based payments (continued)

The inputs into the Black Scholes option pricing model for options that were granted in the year were as follows:

| Option Valuation Assumptions | PSP 2017<br>Tranche 1 | PSP 2017<br>Tranche 2 | SAYE<br>2017    |
|------------------------------|-----------------------|-----------------------|-----------------|
| Grant date                   | 7 June 2017           | 25 September 2017     | 23 October 2017 |
| Risk free interest rate      | 0.15%                 | 0.46%                 | 0.53%           |
| Exercise price               | Nil                   | Nil                   | £19.92          |
| Share price at date of grant | £23.93                | £24.90                | £28.57          |
| Expected dividend yield*     | 0.00%                 | 0.00%                 | 3.85%           |
| Expected life                | 3 years               | 3 years               | 3 years         |
| Holding period               | 2 years               | 2 years               | 2 years         |
| Date of vesting              | February 2020         | February 2020         | December 2020   |
| Expected volatility          | 27%                   | 27%                   | 27%             |
| Fair value of option         | £20.31                | £22.47                | £3.09           |

\* At the discretion of the Remuneration Committee a cash bonus may be paid to holders of 2017 PSP grants equivalent to the value of any dividend which might have been paid on the shares held under option had those instead been issued. For purposes of valuation it has been assessed that such a payout will be made and the foregone dividend yield assumption set to nil.

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 2017, the Group recognised total expenses before tax of £18.8m (2016: £14.0m) 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 2017 the total credit recognised in relation to equity settled share-based payments was £56.6m (2016: £39.4m) of which £21.7m (2016: £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 70 to 79. There is no difference between transactions with key management personnel of the Company and the Group.

On 16 June 2017 the son of Jeff Fairburn, Group Chief Executive, completed the purchase of a property from a subsidiary for a total consideration of £382,334 (including Finishing Touches). The purchase price was determined following a rigorous review of open market values for similar homes on the same development.

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:

|                                         | 2017<br>£m | 2016<br>£m |
|-----------------------------------------|------------|------------|
| Interest charges on intra-group funding | (16.8)     | (6.5)      |
| Group services recharges                | 51.1       | 46.9       |
|                                         | 34.3       | 40.4       |

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 2017 totalled £1,313.3m (2016: £1,231.5m). Amounts owed to subsidiary undertakings by the Company at 31 December 2017 totalled £3,704.6m (2016: £3,794.0m).

### 30 Related party transactions (continued)

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 2017 is £45.5m (2016: £49.0m).

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 2017 was £nil (2016: £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 2017 was £nil (2016: £nil).

The Company has suffered £nil expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2016: £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 2017. 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 33.

#### Major subsidiary undertakings

|                                      |                                                  |                                           |
|--------------------------------------|--------------------------------------------------|-------------------------------------------|
| Persimmon Homes Limited <sup>o</sup> | Charles Church Developments Limited <sup>Δ</sup> |                                           |
| Persimmon Holdings Limited*          | Persimmon Shared Equity Limited**                | Persimmon Scottish Limited Partnership*** |

<sup>o</sup> The shares of this company are held by Persimmon Holdings Limited and Persimmon Plc.

<sup>Δ</sup> 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 Events after balance sheet date

#### Reduction of 2012 LTIP Awards by Executive Directors

On 22 February 2018 Jeff Fairburn and Mike Killoran decided to reduce their overall entitlement under the 2012 Long Term Incentive Plan ("2012 LTIP") by a number of shares equal to 50% of the shares to which they would become entitled on the second vesting. Additionally they also decided to extend until 2021 the holding period applying to 50% of any shares under any second vest other than shares sold to cover tax liabilities.

On the same date Dave Jenkinson decided to reduce his overall entitlement by a number of shares equal to 50% of the shares subject to awards granted to him since being promoted to the Board to which he would become entitled on the second vesting. In addition to the existing obligation to hold 50% of the shares from any second vest for 12 months, other than shares sold to cover tax liabilities, he decided to extend until 2020 the holding period for 25% of such shares.

There will be no changes to the 2012 LTIP for other plan participants.

At 22 February 2018, prior to this reduction in the Directors entitlement to shares, the total number of share options outstanding under the 2012 LTIP for all participants was 23.2m shares. The decision of the Directors to reduce their entitlements decreases the total options outstanding under the 2012 LTIP by 2.8m shares.

The effect of these reductions and further details on the remaining options outstanding in relation to the Directors are shown in the Directors' share option scheme interests in the Directors Remuneration Report on pages 75 and 76.

The reductions are anticipated to result in a net increase in the profit before tax of the Group for 2018 of £7.6m and a reduction in the shareholders equity of the Group of £2.5m (largely due to the reversal of the associated employer's National Insurance contribution accrual).

#### Option Settlement

On 31 December 2017 the first 40% tranche of the 2012 LTIP vested and became eligible for exercise by all participants on 27 February 2018.

However, with respect to the 2012 LTIP, on exercise of an option the Company reduces the number of shares issued to a participant by a value equal to the outstanding option price remaining.

In addition, reflecting the capital discipline embedded within the Group's long term strategy, on 26 February 2018 the Board determined that, in respect of the 40% of options granted under the 2012 LTIP that vested on 31 December 2017, participants will transfer their interest in an appropriate number of shares issued in exchange for an equivalently valued cash payment direct to HMRC meeting the participants' income tax and national insurance contributions in respect of the exercise of their vested options. The value of these liabilities will be determined by the Company's share price on the date participants choose to exercise their options together with the prevailing income tax and national insurance contribution rates at that time.

For illustrative purposes, the effect of the exercise mechanics outlined above are estimated to reduce the number of shares which will be issued in satisfaction of the above options from c. 9.2m to c. 4.0m shares and the Company will make a payment of c. £88m to HMRC. Please note these values will vary dependent on the Company's share price on the actual date on which participants choose to exercise their options.

There are 11.2m option entitlements under the 2012 LTIP held by all participants which remain unvested as at 26 February 2018 following the reduction in Directors' entitlements above. For illustration, looking forward, should the Board decide to net settle the second vesting and assuming a constant share price, full second vesting might be expected to give rise to a further payment of around £117m to HMRC, if all participants exercise their full entitlement at that time. The 11.2m outstanding options would reduce to c. 5.4m in these circumstances.

### 33 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 <sup>1</sup>               | Ordinary*                                   |
| Anjok 172 Limited                            | Ordinary*                                   |
| Anjok 173 Limited                            | Ordinary*                                   |
| Anjok 269 Limited <sup>1</sup>               | 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 Investments Limited                    | Ordinary*                                   |
| Anjok Twenty Limited <sup>1</sup>            | 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 and Central Limited  | Deferred* and A Ordinary*                   |
| Beazer Homes Bridgwater Limited              | Deferred* and A Ordinary*                   |

| Name of undertaking                                      | Description of shares held           |
|----------------------------------------------------------|--------------------------------------|
| 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 <sup>1</sup>              | Deferred* and A Ordinary*            |
| Beazer Homes Glasgow Limited <sup>1</sup>                | 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 <sup>1</sup> | 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 <sup>1</sup>                         | 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*                                                                                                                              |

## NOTES TO THE FINANCIAL STATEMENTS

### continued

### 33 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                                                             |
|----------------------------------------------------------|----------------------------------------------------------|----------------------------------------|-------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------------------------------------|
| Datblygwyr Dorothea Limited (94% of nominal value owned) | Ordinary*                                                | Ideal Developments Limited             | Ordinary*                                                                                       | Mapleleigh Limited                            | Ordinary*                                                                              |
| Delany Brothers (Housebuilders) Limited                  | Ordinary* and Preference*                                | Ideal Homes (UK) Limited               | Ordinary*                                                                                       | Marriott Homes Limited                        | Ordinary*                                                                              |
| Domus Group Limited                                      | Deferred*, Deferred* and A Ordinary*                     | Ideal Homes Anglia Limited             | Ordinary*                                                                                       | Maunders Homes (East Anglia) Limited          | Ordinary*                                                                              |
| E.E. Reed & Co. (Builders) Limited                       | Ordinary*                                                | Ideal Homes Central Limited            | A Non Voting Ordinary* and B Ordinary*                                                          | Maunders Homes (Midlands) Limited             | Ordinary*                                                                              |
| E F G H Limited                                          | Ordinary*                                                | Ideal Homes Holdings Limited           | Deferred and Ordinary                                                                           | Maunders Homes (North West) Limited           | Ordinary*                                                                              |
| E F G H Nominees Limited                                 | Ordinary*                                                | Ideal Homes Limited                    | Ordinary*                                                                                       | Maunders Homes (South) Limited                | Ordinary*                                                                              |
| Emerson Park Limited                                     | Ordinary*                                                | Ideal Homes Midlands Limited           | Ordinary*                                                                                       | Maunders Inner City Limited                   | Ordinary*                                                                              |
| F C Spear Limited                                        | Ordinary*                                                | Ideal Homes North West Limited         | Ordinary*                                                                                       | Maunders Urban Renewal Limited                | Ordinary*                                                                              |
| Ferry Quay Developments Limited                          | A Ordinary*, B Ordinary* and C Ordinary*                 | Ideal Homes Northern Limited           | Ordinary*                                                                                       | Mayclose Research Limited                     | Ordinary*                                                                              |
| FibreNest Limited                                        | Ordinary*                                                | Ideal Homes Scotland Limited           | Ordinary*                                                                                       | Melville Homes Limited                        | A Ordinary*, B Ordinary*, C Ordinary*, Deferred* and Cumulative Redeemable Preference* |
| Frays Property Management (No.1) Limited                 | Ordinary*                                                | Ideal Homes Services Limited           | Ordinary*                                                                                       |                                               |                                                                                        |
| Frays Property Management (No.2) Limited                 | Ordinary*                                                | Ideal Homes Southern Limited           | Ordinary*                                                                                       | Merewood (Kendal) Limited                     | Ordinary*                                                                              |
| Frays Property Management (No.6) Limited                 | Ordinary*                                                | J.W. Liptrot & Company Limited         | Ordinary*                                                                                       | Merewood Group Limited                        | Ordinary*                                                                              |
| Friary Homes Limited                                     | Ordinary*                                                | Jaboulet Limited                       | Ordinary*                                                                                       | Merewood Homes Limited                        | Ordinary*                                                                              |
| Galliford Developments Limited                           | Ordinary*                                                | John Maunders Group Limited            | Ordinary*                                                                                       | Merewood Investments Limited                  | Ordinary*                                                                              |
| Galliford Homes (London) Limited                         | A Ordinary* and B Ordinary*                              | Kenton Contracting (Yorkshire) Limited | Ordinary*                                                                                       | Mightover Limited                             | Ordinary*                                                                              |
| Galliford Homes Holdings Limited                         | A Ordinary*, B Ordinary* and Preference*                 | Kenton Contractors (Yorkshire) Limited | Ordinary*                                                                                       | Milton Keynes Housing Group Limited           | Ordinary*                                                                              |
| Galliford Homes Limited                                  | Ordinary*                                                | Kenton Homes (Builders) Limited        | Ordinary*                                                                                       | Mitrebuild Limited                            | Ordinary* and Deferred Ordinary*                                                       |
| Galliford Properties Southern Limited                    | Ordinary*                                                | Kenton Homes (Developments) Limited    | Ordinary*                                                                                       | Monk Homes Limited                            | Ordinary*                                                                              |
| Galliford Southern Limited                               | Ordinary*                                                | Kenton Homes (Estates) Limited         | Ordinary*                                                                                       | Monsell Youell Construction Limited           | Ordinary*                                                                              |
| Geo. Wright & Co. (Contractors Wolverhampton) Limited    | Deferred*, A Deferred* and A Ordinary*                   | Knightsmoor Homes Limited              | Ordinary*                                                                                       | Monsell Youell Limited                        | Deferred* and A Ordinary*                                                              |
| Glamford Building Company Limited                        | Ordinary*                                                | Lady's Lane Property Co. Limited       | Ordinary*                                                                                       | Montague Developments Limited                 | Ordinary*                                                                              |
| Gomersal Mills Limited                                   | Deferred* and Ordinary*                                  | Lansdown Homes Limited                 | Ordinary*                                                                                       | Mount Row Finance Limited                     | Ordinary*                                                                              |
| Gosforth Business Park Management Company (No.2) Limited | Ordinary*                                                | Lazy Acre Investments Limited          | Ordinary*                                                                                       | Mount Row Securities Limited                  | Ordinary*                                                                              |
| Haven Retirement Homes Limited                           | Ordinary*                                                | Leech Homes (Showhouses) Limited       | Ordinary*, 0.1% Non-Cumulative Preference A* and 1% Non-Cumulative Preference B*                | Pacemaker Developments Limited                | Ordinary*                                                                              |
| Hazels Development Company and Limited                   | A Ordinary* and B Ordinary*                              | Leech Homes (Wales) Limited            | Ordinary*                                                                                       | Park House Developments (Petersfield) Limited | Ordinary*                                                                              |
| Hillreed Developments Limited                            | Ordinary*                                                | Leech Homes (Yorkshire) Limited        | Ordinary*                                                                                       | Partnership Homes Limited                     | Ordinary*                                                                              |
| Hillreed Holdings Limited                                | Ordinary*, Management Shares* and Cumulative Preference* | Leech Homes Limited                    | Deferred* and A Ordinary*                                                                       | Pennant Developments Limited                  | Ordinary* and 5% Non-Cumulative Preference*                                            |
| Hillreed Homes Limited                                   | Ordinary*                                                | Leech Northumbria Limited              | Ordinary*                                                                                       |                                               |                                                                                        |
| Hillreed Properties Limited                              | Ordinary*                                                | Leech Partnership Homes Limited        | Ordinary*                                                                                       | Pentra Limited                                | Ordinary*                                                                              |
|                                                          |                                                          | Leisurama Homes Limited                | Ordinary*                                                                                       | Perlease Limited                              | Ordinary*                                                                              |
|                                                          |                                                          | Linkway Properties Limited             | Ordinary*                                                                                       | Persimmon (City Developments) Limited         | Ordinary*                                                                              |
|                                                          |                                                          | Locking Castle Limited                 | A Ordinary*, B Ordinary* and C Ordinary*                                                        | Persimmon (Ecclestone) Limited                | Ordinary*                                                                              |
|                                                          |                                                          | Magnus Design Build Limited            | Ordinary*                                                                                       | Persimmon (Share Scheme Trustees) Limited     | Ordinary                                                                               |
|                                                          |                                                          | Magnus Holdings Limited                | A Ordinary*, B Ordinary*, C Ordinary*, Enduring Ordinary* and Cumulative Redeemable Preference* | Persimmon (SHL) Limited                       | Ordinary*                                                                              |
|                                                          |                                                          |                                        |                                                                                                 | Persimmon (Strensall) Limited                 | Ordinary*                                                                              |
|                                                          |                                                          |                                        |                                                                                                 | Persimmon Developments (No 1) Limited         | Ordinary*                                                                              |

### 33 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                                           |
|--------------------------------------------------------------------------|----------------------------|----------------------------------------------------------|------------------------------------------|-----------------------------------------------------------|----------------------------------------------------------------------|
| Persimmon Developments (No 2) Limited                                    | Ordinary*                  | Persimmon Homes (South East) Limited                     | Ordinary*                                | Prowting Homes South West Limited                         | Ordinary*                                                            |
| Persimmon Developments (Didcot) Limited                                  | Ordinary*                  | Persimmon Homes (South Midlands) Limited                 | Deferred* and A Ordinary*                | Prowting Homes West Limited                               | Ordinary*                                                            |
| Persimmon Developments (No 5) Limited                                    | Ordinary*                  | Persimmon Homes (South West) Limited                     | Ordinary*                                | Prowting Homes Wolds Limited                              | Ordinary*                                                            |
| Persimmon Developments (No 6) Limited                                    | Ordinary*                  | Persimmon Homes (South Yorkshire) Limited                | Ordinary*                                | Prowting Limited                                          | Ordinary*                                                            |
| Persimmon Developments (No 7) Limited                                    | Ordinary*                  | Persimmon Homes (Teesside) Limited                       | Ordinary*                                | Prowting Projects Limited                                 | Ordinary*                                                            |
| Persimmon Finance (Jersey) Limited (Incorporated in Jersey) <sup>4</sup> | Ordinary                   | Persimmon Homes (Thames Valley) Limited                  | Ordinary*                                | Prowting Properties Limited                               | Ordinary*                                                            |
| Persimmon Finance (No 2) Limited                                         | Ordinary                   | Persimmon Homes (Wales) Limited                          | Ordinary*                                | Repac Homes Limited                                       | Ordinary*                                                            |
| Persimmon Finance Limited                                                | Ordinary                   | Persimmon Homes (Wessex) Limited                         | Ordinary*                                | SLB Construction Management Limited                       | Ordinary*                                                            |
| Persimmon Harts Limited                                                  | Ordinary                   | Persimmon Homes (West Midlands) Limited                  | Deferred* and A Ordinary*                | Second City Homes Limited                                 | Deferred* and A Ordinary*                                            |
| Persimmon GR (No 4) Limited                                              | Ordinary*                  | Persimmon Homes (West Scotland) Limited                  | Ordinary*                                | Senator Homes Limited                                     | Ordinary*                                                            |
| Persimmon GR (No 7) Limited                                              | Ordinary*                  | Persimmon Homes (West Yorkshire) Limited                 | Ordinary*                                | Sequoia Developments Limited                              | Ordinary*                                                            |
| Persimmon GR (No 8) Limited                                              | Ordinary*                  | Persimmon Homes (Woodley) Limited                        | Ordinary                                 | Severnbrook Homes Limited                                 | Ordinary*                                                            |
| Persimmon GR (No 9) Limited                                              | Ordinary*                  | Persimmon Homes (York) Limited                           | Ordinary                                 | Sherbourne Properties (Warwick) Limited                   | Ordinary*                                                            |
| Persimmon GR (No 10) Limited                                             | Ordinary*                  | Persimmon Homes (Yorkshire) Limited                      | Deferred* and Ordinary*                  | Space4 Limited                                            | Ordinary*                                                            |
| Persimmon GR (No 11) Limited                                             | Ordinary*                  | Persimmon Homes Developments Limited                     | Ordinary                                 | Springfir Estates Limited                                 | Ordinary*                                                            |
| Persimmon Holdings Limited                                               | Ordinary and A Ordinary*   | Persimmon Homes Limited                                  | Ordinary*                                | Springfir Holdings Limited                                | Ordinary*                                                            |
| Persimmon Homes (Anglia) Limited                                         | Ordinary*                  | Persimmon Partnerships (Scotland) Limited                | Ordinary*                                | Steelhaven (7) Limited                                    | Ordinary* and 1% Non-Cumulative Redeemable Participating Preference* |
| Persimmon Homes (Doncaster) Limited                                      | Ordinary*                  | Persimmon Pension Trustees Limited                       | Ordinary                                 | Tamborough Developments Limited                           | Ordinary*                                                            |
| Persimmon Homes (East Midlands) Limited                                  | Ordinary*                  | Persimmon Residential Limited                            | Ordinary*                                | Tela Properties Limited                                   | Ordinary*                                                            |
| Persimmon Homes (East Scotland) Limited                                  | Ordinary*                  | Persimmon Scottish Limited Partnership** <sup>11</sup>   | N/A                                      | The Charles Church Group Limited                          | A Ordinary*                                                          |
| Persimmon Homes (East Yorkshire) Limited                                 | Ordinary*                  | Persimmon Scottish Pension Trustees Limited <sup>1</sup> | Ordinary                                 | The Charles Church Group Share Trustees Limited           | Ordinary*                                                            |
| Persimmon Homes (Edmonstone) Limited                                     | Ordinary                   | Persimmon Shared Equity Limited                          | Ordinary                                 | Townedge (Holdings) Limited                               | Ordinary*                                                            |
| Persimmon Homes (Essex) Limited                                          | Deferred* and A Ordinary*  | Persimmon Trustees Limited                               | Ordinary                                 | Townedge Estates Limited                                  | Ordinary*                                                            |
| Persimmon Homes (Lancashire) Limited                                     | Ordinary*                  | Pinnacle Developments (Scotland) Limited <sup>1</sup>    | Ordinary*                                | Trent Park Regeneration Limited                           | A Ordinary* and B Ordinary*                                          |
| Persimmon Homes (Mercia) Limited                                         | Ordinary*                  | Practical Finance Co. Limited                            | Ordinary*                                | Tryall Developments Limited                               | Ordinary*                                                            |
| Persimmon Homes (Midlands) Limited                                       | Ordinary*                  | Prowting Homes Anglia Limited                            | B Ordinary*, C Ordinary* and D Ordinary* | Tudor Jenkins & Company Limited                           | Ordinary*                                                            |
| Persimmon Homes (North East) Limited                                     | Ordinary*                  | Prowting Homes Central Limited                           | Ordinary*                                | Walker Homes (Scotland) Limited <sup>1</sup>              | Ordinary*                                                            |
| Persimmon Homes (North Midlands) Limited                                 | Ordinary*                  | Prowting Homes Chatsworth Limited                        | Ordinary*                                | Wardour Limited (Incorporated in Gibraltar) <sup>12</sup> | Ordinary*                                                            |
| Persimmon Homes (North West) Limited                                     | Ordinary*                  | Prowting Homes Limited                                   | Ordinary*                                | Wenshaw Limited                                           | Ordinary*                                                            |
| Persimmon Homes (Partnerships) Limited                                   | Ordinary                   | Prowting Homes Ludlow Limited                            | Ordinary*                                | Wescott Holdings Limited                                  | Ordinary*                                                            |
| Persimmon Homes (South Coast) Limited                                    | Ordinary*                  | Prowting Homes Midlands Limited                          | Ordinary*                                | Wescott Homes Limited                                     | Ordinary*                                                            |
|                                                                          |                            | Prowting Homes South East Limited                        | Ordinary*                                | Wescott Land Limited                                      | Ordinary*                                                            |
|                                                                          |                            |                                                          |                                          | Westbury Direct Limited                                   | Ordinary*                                                            |
|                                                                          |                            |                                                          |                                          | Westbury Homes (Holdings) Limited                         | Irredeemable Preference*, Ordinary*, Deferred* and 9.25% Preference* |

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 33 Details of all subsidiary undertakings (continued)

| Name of undertaking                         | Description of shares held                |
|---------------------------------------------|-------------------------------------------|
| 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) <sup>13</sup> | Bearer Shares              | 50%                                             | 50%                             |
| Balvil - Gestao de Empreendimentos Turisticos Lda (Incorporated in Portugal) <sup>13</sup>         | 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%                             |
| Coton Park Consortium Limited <sup>14</sup>                                                        | WD                         | 50%                                             | 25%                             |
| Cramlington Developments Limited                                                                   | A Ordinary                 | 100%                                            | 50%                             |
| Empreendimentos Turisticos da Armacao Nova Lda (Incorporated in Portugal) <sup>13</sup>            | Ordinary                   | 50%                                             | 50%                             |
| Genesis Estates (Manchester) Limited <sup>2</sup>                                                  | Ordinary                   | 50%                                             | 50%                             |
| Gosforth Business Park Management Company Limited                                                  | A Ordinary                 | 100%                                            | 33.3%                           |
| Haydon Development Company Limited <sup>3</sup>                                                    | Ordinary                   | 20.5%                                           | 20.5%                           |
| Leebell Developments Limited                                                                       | A Ordinary                 | 100%                                            | 50%                             |
| Newcastle Great Park (Estates) Limited <sup>5</sup>                                                | A Ordinary                 | 100%                                            | 50%                             |
| North Haven Developments (Sunderland) Limited                                                      | B Ordinary                 | 100%                                            | 50%                             |
| North Swindon Development Company Limited <sup>3</sup>                                             | Ordinary                   | 15%                                             | 15%                             |
| Oxfordshire Land Limited                                                                           | Ordinary                   | 33.3%                                           | 33.3%                           |
| Quedgeley Urban Village Limited <sup>7</sup>                                                       | C Ordinary                 | 100%                                            | 25%                             |
| Rothley Temple Estates Limited <sup>6</sup>                                                        | Ordinary                   | 28.5%                                           | 28.5%                           |
| SCI 53 Rue Joliot Curie (Incorporated in France) <sup>10</sup>                                     | Participation              | 42.5%                                           | 42.5%                           |
| SCI Le Domaine de Vaires (Incorporated in France) <sup>11</sup>                                    | Participation              | 47.5%                                           | 47.5%                           |
| SCI Les Jardins Parisiens (Incorporated in France) <sup>9</sup>                                    | Participation              | 44%                                             | 44%                             |
| SF 3038 Limited <sup>15</sup>                                                                      | Ordinary                   | 25%                                             | 25%                             |
| Sociedade Torre de Marinha Realizacoes Turisticas SA (Incorporated in Portugal) <sup>13</sup>      | Ordinary                   | 50%                                             | 50%                             |
| The Greenlaw Development Company Limited <sup>15</sup>                                             | Ordinary                   | 14.3%                                           | 14.3%                           |
| Trafalgar Metropolitan Homes Limited                                                               | A Ordinary                 | 100%                                            | 50%                             |
| Triumphdeal Limited <sup>8</sup>                                                                   | Ordinary                   | 50%                                             | 50%                             |
| Varandatur LDA (Incorporated in Portugal) <sup>13</sup>                                            | Ordinary                   | 50%                                             | 50%                             |
| Wick 3 Nominees Limited                                                                            | B Ordinary                 | 100%                                            | 33.3%                           |

1 180 Findochty Street, Garthamlock, Glasgow, G33 5EP

2 6 Europa Court, Sheffield Business Park, Sheffield, S9 1XE

3 6 Drakes Meadow, Penny Lane, Swindon, Wiltshire, SN3 3LL

4 44 Esplanade, St Helier, JE4 9WG, Jersey

5 3rd Floor Citygate, St. James' Boulevard, Newcastle upon Tyne, Tyne & Wear, NE1 4JE

6 137 Scalby Road, Scarborough, North Yorkshire, YO12 6TB

7 135 Aztec West, Bristol, BS12 4UB

8 Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR

9 1 Rue de Petit Robinson, 78350, Jouy-en-Josas, France

10 84 Boulevard Vivier, Merle, 69003, Lyon, France

11 Immeuble Le Montaigne, 4 Allée des Ambalais, 94420, Le Plessis, Treviso, France

12 3 Bell Lane, Gibraltar

13 Av. Duque de Loulé 47-2, 1050-086, Lisbon, Portugal

14 Temple House, 20 Holywell Row, London, EC2A 4XH

15 6th Floor, 145 St. Vincent Street, Glasgow, G2 5JF

### 33 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  
 Abbeyvale Taunton Management Company Limited  
 Abbot's Field Management Limited<sup>15</sup>  
 Abbotswood (Maidstone) Management Company Limited  
 Ackton Pastures (Castleford) Management Company Limited  
 Acorn Place Management Limited  
 Agusta Park Flats Yeovil Management Company Limited  
 Agusta Park Yeovil Management Company Limited  
 Akron Gate Management Limited<sup>15</sup>  
 Aldenham Road (Bushey) Management Company Limited  
 Allt Y Celyn (Rhos) Management Company Limited  
 Amherst Hill (Brompton) Management Company Limited  
 Archery Fields Management Company Limited<sup>15</sup>  
 Arisdale (Phase 2) Residents Management Company Limited  
 Attlee Way (Sittingbourne) Residents Management Company Limited  
 Aurora (Portishead) Management Company Limited  
 Aveley Village (Aveley) Residents Management Company Limited  
 Aveley Village (Thurrock) Management Company Limited  
 Avery Fields (Birmingham) Management Company Limited  
 Avon Fields (Durrington) Management Company Limited  
 Awel Y Coed Management Company Limited  
 Aykley Woods (Durham) Management Company Limited  
 Aylesham Village Phase 1b (Aylesham) Residents Management Company Limited

#### Company Name

Badbury Park (Swindon) Management Company Limited  
 Badbury Park (Swindon) No 2 Management Company Limited  
 Banister Court (Southampton) Management Company Limited  
 Bannerbrook Management Company Limited<sup>16</sup>  
 Barley Fields (Alton) Management Company Limited  
 Beaumont Park (Blandford) Management Company Limited  
 Becketts Grove Management Company Limited  
 Becketts Grove Phase 2 (Wymondham) Residents Management Company Limited  
 Beckford Road (Alderton) Management Company Limited  
 Bell Lane (Little Chalfont) Management Company Limited  
 Bellaport Gardens (Harrington) Management Company Limited  
 Bishops Grove (Lamphey) Management Company Limited  
 Bishops Meade (Downton) Management Company Limited  
 Blossom Meadows (Buttershaw) Management Company Limited  
 Bluebell Gardens (Morley) Management Company Limited  
 Bluebell Meadow (Bradwell) Management Company Limited  
 Bolham Rise (Retford) Management Company Limited<sup>13</sup>  
 Booths Farm Residents Management Company Limited<sup>15</sup>  
 Boulton Moor (Derby) Management Company Limited  
 Brackenleigh (Carlisle) Management Company Limited  
 Bramblewood (Old Basing) Residents Management Company Limited  
 Branshaw Park (Keighley) Management Company Limited  
 Brazen Plain (Norwich) Management Company Limited  
 Bridgefield (Ashford) Management Company Limited  
 Bridgefield Nine Management Company Limited  
 Brislington House Management Company Limited  
 Brook Chase (Waterlooville) Management Company Limited  
 Brook View (Blackburn) Management Company Limited  
 Bugbrooke Road (Kislingbury) Management Company Limited  
 Burfield Park (Witham St Hughs) Residents Management Company Limited  
 Burfield Valley Estate Management Limited<sup>10</sup>  
 Bysshop Meadow Management Company Limited  
 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

## NOTES TO THE FINANCIAL STATEMENTS

### continued

### 33 Details of all subsidiary undertakings (continued)

#### Company Name

|                                                                     |
|---------------------------------------------------------------------|
| Castle Green (Shotton) Management Company Limited                   |
| Castle Hill (Ebbsfleet) Residents Management Company Limited        |
| Castlemead (Persimmon 950) Town Trowbridge Limited                  |
| Castlemead (Persimmon 953) Management Company Limited               |
| Castlemead (Persimmon 964) Town Trowbridge Limited                  |
| Castleton Court (Haverfordwest) Management Company Limited          |
| Cathedral Gate (Salisbury) No.1 Management Company Limited          |
| Cathedral Gate (Salisbury) No.2 Management Company Limited          |
| Cedar Place (Haywood Village) Management Company Limited            |
| Century Rise (Emersons Green) Management Company Limited            |
| Chancery Fields (Chorley) Management Company Limited                |
| Chapel Heights Management Company Limited                           |
| Cheltenham Road (Evesham) Management Company Limited                |
| Chilmark Glade Management Company Limited                           |
| Chorley G1 Management Company Limited <sup>17</sup>                 |
| Church Lane (Deal) Residents Management Company Limited             |
| Church Meadows (Great Broughton) Management Company Limited         |
| Clarence Place (Bracknell) Residents Management Company Limited     |
| Cloatley Crescent Management Company Limited                        |
| Clos Ty Gwyn (Hendy) Management Company Limited                     |
| Clover Chase (Lingwood) Residents Management Company Limited        |
| Cloverfields (Carlisle) Management Company Limited                  |
| Coastal Dunes (Lytham St Annes) Management Company Limited          |
| Coed Darcy (Llandarcy) Management Company Limited                   |
| Colburn Walk (Catterick) Management Company Limited                 |
| Copperfield Truro Management Company Limited                        |
| Copthorne Place (Epsom) Apartments Management Company Limited       |
| Copthorne Place (Epsom) Estate Management Company Limited           |
| Coquet Grange (Amble) Management Company Limited                    |
| Corelli Sherborne Management Company Limited                        |
| Cranborne Heights Management Company Limited                        |
| Cromwell Place (Little Dunmow) Residents Management Company Limited |
| Crosland Road (Lindley) Management Limited                          |
| Cross Quays (Westwood) Management Company Limited                   |
| Cross Quays Phase 2 (Thanet) Residents Management Company Limited   |
| Cumnor Hill Management Company Limited                              |

#### Company Name

|                                                                             |
|-----------------------------------------------------------------------------|
| Cwrt Y Llwyfen (Johnstown) Management Company Limited                       |
| Daisy Hill (Morley) Management Company Limited                              |
| Dallow Place (Luton) Management Company Limited                             |
| Dan Y Bryn Management Company Limited                                       |
| Deerwood Park (Colne) Management Company Limited                            |
| Dol Yr Ysgol (Bridgend) Management Company Limited                          |
| Downs View (Swanley) Residents Management Company Limited                   |
| Dukes Meadow (Tangmere) Management Company Limited                          |
| D'urton Heights (Preston) Management Company Limited                        |
| Dyffryn Glas (Hawthorn) Management Company Limited                          |
| Dyffryn Management Limited                                                  |
| Earlesmead (Framingham Earl) Residents Management Company Limited           |
| East Benton Rise (Benton) Management Company Limited                        |
| East Gate House (Machynys East) Management Company Limited <sup>12</sup>    |
| Eastside Quarter, Maelfa (Cardiff) RMC Limited                              |
| Eden Grange (Peterlee) Management Company Limited                           |
| Elkas Rise (Ilkeston) Management Company Limited                            |
| Ellis Mews (Micheldever) Management Company Limited                         |
| Elmwood Park Court (NGP) Management Company Limited <sup>11</sup>           |
| Emerald Gardens (Yapton) Management Company Limited                         |
| Emily Fields (Swansea) Management Company Limited                           |
| Emily Fields Apartments (Swansea) Management Company Limited                |
| Eversfield (Uckfield) Management Company Limited                            |
| Fairmoor (Morpeth) Management Company Limited                               |
| Fairways (Retford) Management Company Limited                               |
| Farley Fields South Petherton Management Company Limited                    |
| Feethams Green (Darlington) Management Company Limited                      |
| Fleury House (Farnborough) Residents Management Company Limited             |
| Foley Gardens (Newent) Residential Management Company Limited               |
| Folly Grove (Hockley) Residents Management Company Limited                  |
| Forgewood (Crawley) Management Company Limited <sup>10</sup>                |
| Friarwood Park (Pontefract) Management Company Limited                      |
| Fulbeck Avenue (West Durrington) Management Company Limited <sup>18</sup>   |
| Furzefield Management Company Limited                                       |
| Gales Park Management Company Limited                                       |
| Garden Valley (Aylesham) Residents Management Company Limited <sup>10</sup> |

### 33 Details of all subsidiary undertakings (continued)

#### Company Name

|                                                                     |
|---------------------------------------------------------------------|
| George Ward Gardens (Melksham) Management Company Limited           |
| Glan Yr Afon (Swansea) Management Company Limited                   |
| Goodyear Management Company No 2 Limited <sup>15</sup>              |
| Grays Court (Orpington) Residents Management Company Limited        |
| Great Western Park (Didcot) No 1 Management Company Limited         |
| Great Western Park (Didcot) No 2 Management Company Limited         |
| Great Western Park (Didcot) No 3 Management Company Limited         |
| Great Woodcote Park Exeter Management Company Limited               |
| Green Pastures (Holton-le-Clay) Management Company Limited          |
| Greenacres (Compton) Management Company Limited                     |
| Greenacres (Diss) Management Company Limited                        |
| Greenacres (Easington) Management Company Limited                   |
| Greenfield Court (Newport) Limited                                  |
| Greenfields (Narberth) Management Company Limited                   |
| Grove Street (Raunds) Residents Management Company Limited          |
| Hailes Wood (Elsenham) Residents Management Company Limited         |
| Hambledon Mill (Accrington) Management Company Limited              |
| Hamilton Gate (Frinton) Residents Management Company Limited        |
| Hampton Lucy Management Company Limited                             |
| Hampton Park (Littlehampton) Residents Management Company Limited   |
| Hampton Park (Stanway) Residents Management Company Limited         |
| Hanbury Park (Uxbridge) Management Company Limited                  |
| Hansons Reach (Stewartby) Residents Management Company Limited      |
| Hanwell Chase (Banbury) Residents Management Company Limited        |
| Harlow Fields (Mackworth) Residential Management Company Limited    |
| Harrington Road (Desborough) Management Company Limited             |
| Harrow View West (Harrow) Residents Management Company Limited      |
| Hartcliffe Meadows (Penistone) Management Company Limited           |
| Harvest Gate (Totton) Management Company Limited                    |
| Hastings Place (Bentley) Management Company Limited                 |
| Hatchwood Mill (Winnersh) Management Company Limited                |
| Hathern Road (Shepshed) Management Company Limited                  |
| Haven Village Management Limited*                                   |
| Hawthorn Chase (Aston Clinton) Residents Management Company Limited |
| Haywood Heights (Writhlington) Management Company Limited           |
| Heathpark Wood (Windlesham) Management Company Limited              |

#### Company Name

|                                                                           |
|---------------------------------------------------------------------------|
| Hellingly 415 Residents Management Company Limited                        |
| Hellingly 416 Management Company Limited                                  |
| Hellingly 418 Management Company Limited                                  |
| Hepburn Chase Management Company Limited                                  |
| Heritage Gardens (Bedfordshire) Management Company Limited                |
| Heritage Gate (Llantwit Major) Residents Management Company Limited       |
| Heritage Green (Newbottle) Management Company Limited <sup>8</sup>        |
| Heritage Park (Shinfield) Residents Management Company Limited            |
| Heritage Park (Sutton Courtenay) Residents Management Company Limited     |
| Herne Vale Ilminster Management Company Limited                           |
| Highcliffe View (Guisborough) Management Company Limited                  |
| Hill Barton Vale Exeter Management Company Limited                        |
| Hill Barton Vale Flats Exeter Management Company Limited                  |
| Holdingham Grange (Sleaford) Residents Management Company Limited         |
| Holmewood (Littleport) Management Company Limited                         |
| Horsbere Mews (Longford) Management Company Limited                       |
| Horseshoe Meadows (Westbury) Management Company Limited                   |
| HRC (Ware) Residents Management Company Limited                           |
| Hunters Gate (One) Management Company Limited                             |
| Hunts Pond Road (No 2) Management Company Limited                         |
| Hunts Pond Road Management Company Limited                                |
| Hydro (St Neots) Number One Management Company Limited                    |
| Imperial Park (Bristol) Management Company Limited                        |
| Ingleby (Barwick) Management Company Limited                              |
| Iwade Meadows (Iwade) Management Company Limited                          |
| Iwade Meadows (Yalding Apartments Plots 74-79) Management Company Limited |
| Jasmine Gardens (Residential Management Company) Limited                  |
| Jasmine Gardens Management Company Limited                                |
| Jennett's Park (H18/19) - Phase 2 Management Company Limited              |
| Jennett's Park (H18/H19) Management Company Limited                       |
| Kendall Heights Management Company Limited                                |
| Kennedy Place (Ulverston) Management Company Limited                      |
| Kings Grove Cranbrook Management Company Limited                          |
| Kingsbridge Court (Gorseinon) Management Company Limited                  |
| Kingsbridge Fields Management Company Limited                             |
| Kingsbury Meadows (Wakefield) Management Company Limited                  |

## NOTES TO THE FINANCIAL STATEMENTS

### continued

### 33 Details of all subsidiary undertakings (continued)

#### Company Name

|                                                                        |
|------------------------------------------------------------------------|
| Kingsmead (Gloucester) Management Company Limited                      |
| Knights Court (Old Sarum) Management Company Limited                   |
| Knoll Lane (Ashford) Management Company Limited                        |
| Kyngshouton (Houghton Regis) Residents Management Company Limited      |
| Ladgate Woods (Middlesbrough) Management Company Limited               |
| Lauder Mews Crediton Management Company Limited                        |
| Launds Field (Galgate) Management Company Limited                      |
| Laureate Heights Sidmouth Management Company Limited                   |
| Laxton Gardens (Oundle) Residents Management Company Limited           |
| Life Squared Management Company Limited <sup>5</sup>                   |
| Lime Tree Court Derby Management Company Limited                       |
| Limes Place (Upper Harbledown) Residents Management Company Limited    |
| Lindale Park (Alverthorpe) Management Company Limited                  |
| Lingfield Meadows (Houghton) Management Company Limited                |
| Llys Meredith (Swansea) Management Company Limited                     |
| Longlease Management Company Limited                                   |
| Low Street (Sherburn in Elmet) Management Company Limited <sup>8</sup> |
| Lowen Bre Truro Management Company Limited                             |
| Lyne Hill Penkridge Management Company Limited <sup>15</sup>           |
| Lythalls Lane (Coventry) Management Company Limited                    |
| Lythalls Place (Coventry) Management Company Limited                   |
| Maes Dyfed Management Company Limited                                  |
| Maes Y Parc (Cross Hands) Management Company Limited                   |
| Maiden Vale (Ryhope) Management Company Limited                        |
| Manor Farm (Doncaster) Management Company Limited                      |
| Manor Park (Appleby Magna) Management Company Limited                  |
| Manor Place (Maidenhead) Residents Management Company Limited          |
| Maple Oak (Alton) Management Company Limited <sup>12</sup>             |
| Marbourne Chase (Lane End) Management Company Limited                  |
| Mariners Walk (Swansea) Apartment Management Company Limited           |
| Mariners Walk (Swansea) Management Company Limited                     |
| Marshfoot Lane (Hailsham) Residents Management Company Limited         |
| Martello Park (Pembroke) Management Company Limited                    |
| Martineau Gardens Harborne Management Company Limited <sup>9</sup>     |
| Mayfields (South Kirkby) Management Company Limited                    |
| Mayflower Gardens (Burbage) Residents Management Company Limited       |
| Meadow Croft (Hipperholme) Management Company Limited                  |

#### Company Name

|                                                                        |
|------------------------------------------------------------------------|
| Meadow Grove Management Limited <sup>15</sup>                          |
| Meadow Rise (Lydney) Management Limited                                |
| Meadow View (Oundle) Management Company Limited                        |
| Meadowbrook Gardens (Ossett) Management Company Limited                |
| Medstead Farm (Four Marks) Management Company Limited                  |
| Merchants Walk Cullompton No 2 Management Company Limited              |
| Mere's Edge Management Limited                                         |
| Meudon House (Farnborough) Residents Management Company Limited        |
| Middlebrook View Management Limited <sup>15</sup>                      |
| Mill Valley (Pevensey) Residents Management Company Limited            |
| Mill View (Willingdon) Management Company Limited                      |
| Millers Croft (Edenbridge) Management Company Limited                  |
| Moat House Fields (Marston Green) Management Limited                   |
| Monarchs Chase (Fulwood) Management Company Limited                    |
| Monfort Place (Odiham) Management Company Limited <sup>17</sup>        |
| Montague Park (Residents) Management Company Limited <sup>8</sup>      |
| Moorfield Way (Wilberfoss) Management Company Limited                  |
| Morewood Close (Sevenoaks) Management Company Limited                  |
| Mount Pleasant (Hatfield) Management Company Limited                   |
| Mulberry Grove (St Fagans Cardiff) Management Company Limited          |
| Neave Place Phase II (Romford) Management Company Limited              |
| Nelson's Park (North Walsham) Residents Management Company Limited     |
| Newcastle Great Park (Estates) Limited <sup>17</sup>                   |
| Newlands Park (Dearham) Management Company Limited                     |
| NGP Management Company (Cell E) Limited <sup>17</sup>                  |
| NGP Management Company (Cell F) Limited <sup>17</sup>                  |
| NGP Management Company (Commercial) Limited <sup>17</sup>              |
| NGP Management Company (Town Centre) Limited <sup>17</sup>             |
| NGP Management Company Residential (Cell C) Limited <sup>17</sup>      |
| NGP Management Company Residential (Cell G) Limited <sup>17</sup>      |
| Nightingale Gardens (Colchester) Management Company Limited            |
| Nightingale Gardens (NR1 And NR3) Residents Management Company Limited |
| Oak Heights (Northiam) Residents Management Company Limited            |
| Oakland Gardens (Wilthorpe) Management Company Limited                 |
| Oakley Grange and Eden Villas (Cheltenham) Management Company Limited  |
| Oakwood Farm (Sevenoaks) Management Company Limited                    |
| Oakwood Meadows (Colchester) Residents Management Company Limited      |

### 33 Details of all subsidiary undertakings (continued)

#### Company Name

|                                                                        |
|------------------------------------------------------------------------|
| Oakwood Park (Wyomondham) Residents Management Company Limited         |
| Oakwood View (Brackla) Management Company Limited                      |
| Oast Court Farm (East Malling) Management Company Limited <sup>1</sup> |
| Old Road (Churwell) Management Company Limited                         |
| Old School Drive (Wheathampstead) Management Company Limited           |
| Oxley Park (Scissett) Management Company Limited                       |
| Oxley Springs (Milton Keynes) Management Company Limited               |
| Oxley Springs 8b (Milton Keynes) Management Company Limited            |
| Paddocks 21 (Andover) Management Company Limited                       |
| Palmerston Heights Plymouth Management Company Limited                 |
| Paragon Park (Coventry) Management Company Limited                     |
| Parc Brynderi (Llanelli) Management Company Limited                    |
| Parkside (Cosham) Management Company Limited                           |
| Pavilion Gardens (Monkton Heathfield) Management Company Limited       |
| Pear Tree Gardens (Bamber Bridge) Management Company Limited           |
| Peninsula (Machynys) Management Company Limited <sup>12</sup>          |
| Penrose Place Sidmouth Management Company Limited                      |
| Persimmon Court Phase 6 (Leighton Buzzard) Management Company Limited  |
| Persimmon Grange (Framlingham) Management Company Limited              |
| Persimmon Heights (Worcester) Management Company Limited <sup>21</sup> |
| Persimmon Homes the Oaks (Selly Oak) Management Company Limited        |
| Phoenix Park (Dunstable) Residents Management Company Limited          |
| Phoenix Place (North Hykeham) Management Company Limited               |
| Picket 20 Management Company Limited                                   |
| Picket Twenty Two (Andover) Management Company Limited                 |
| Pipstrelle Drive (Market Bosworth) Management Company Limited          |
| Poole Gardens (Nunthorpe) Management Company Limited                   |
| Portland Park (Ashington) Management Company Limited                   |
| Potters Wynd (Durham) Management Company Limited                       |
| Priory Park (Marcham) Management Company Limited                       |
| Promise House Management Limited <sup>15</sup>                         |
| Quantum (Grays) Management Company Limited                             |
| Quartz (Berryfields Aylesbury) Management Company Limited              |
| Quinta Mews Management Company Limited <sup>18</sup>                   |
| Radstone Road (Brackley) Management Company Limited                    |
| Rainton Meadows (Chilton Moor) Management Company Limited <sup>8</sup> |
| Readers Retreat (Hay-on-Wye) Residents Management Company Limited      |

#### Company Name

|                                                                           |
|---------------------------------------------------------------------------|
| Rectory Lane (Standish) Management Company Limited                        |
| Regency Gardens (Wath) Management Company Limited                         |
| Regent Park (Calne) Management Company Limited                            |
| Regents Place (Chellaston) Management Company Limited                     |
| Renaissance 2 (Cambridge) Management Company Limited                      |
| Repton Park (13b) Management Company Limited <sup>10</sup>                |
| Repton Park 18 (Ashford) Residents Management Company Limited             |
| Repton Park 19-23 (Ashford) Residents Management Company Limited          |
| Ringley Road (Horsham) Residents Management Company Limited               |
| Riverbourne Fields Management Company Limited                             |
| Rooley Park (Bradford) Management Company Limited                         |
| Roseberry Park (Pelton) Management Company Limited                        |
| Rounton Place (Watford) Management Company Limited                        |
| Rowan Fields Management Company Limited                                   |
| Salterns (Terrington) Residents Management Company Limited                |
| Saltram Meadow Plymouth Management Company Limited                        |
| Sandgate Drive (Kippax) Management Company Limited                        |
| Sandpipers (Minster) Residents Management Company Limited                 |
| Saxon Gate (Chelmsford) Management Company Limited                        |
| Scafford Road Melton Management Company Limited                           |
| Scholars Gate (Royston) Management Company Limited                        |
| Scholars Green (Wigton) Management Company Limited                        |
| Scholars Mews (Newark) Phase 2 Residents Management Company Limited       |
| Scholars Walk (Melksham) Management Company Limited                       |
| Scotts Place (Bromley) Residents Management Company Limited               |
| Seaside Lane (Easington) Management Company Limited                       |
| Seaview Apartments (Machynys) Management Company Limited                  |
| Sherborne Fields (Basingstoke) Management Company Limited                 |
| Sherborne Fields Apartments Ph3 (Basingstoke) Management Limited          |
| Sherborne Fields Apartments Ph6 (Basingstoke) Management Limited          |
| Shilton Place (Coventry) Management Company Limited <sup>9</sup>          |
| Shirewood (Beighton Road) Management Company Limited                      |
| Silver Hill (Preston) Management Company Limited                          |
| Solway View (Workington) Management Company Limited                       |
| South Shields (Biddick Green) Management Company Limited                  |
| South Shore Phase 2 (Blyth) Management Company Limited                    |
| Sovereign Fields (Bracknell H16) Management Company Limited <sup>20</sup> |

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 33 Details of all subsidiary undertakings (continued)

#### Company Name

|                                                                             |
|-----------------------------------------------------------------------------|
| Sovereign Grange (Kings Cliffe) Management Limited                          |
| Sovereign Quarter (Gillingham) Management Company Limited                   |
| Speckled Wood (Carlisle) Management Company Limited                         |
| St Andrews (Uxbridge) Management Company Limited                            |
| St Andrews Park (Vine Lane 1a) Management Company Limited                   |
| St Andrews Park (Vine Lane 1b North) Management Company Limited             |
| St Andrews Park (Vine Lane 2a) Management Company Limited                   |
| St Andrews Park 2b 3a (Churchill Road, Uxbridge) Management Company Limited |
| St Andrews Park 3b (Uxbridge) Management Company Limited                    |
| St Andrews Ridge (Swindon) Management Company Limited                       |
| St Dunstons Place (Burbage) Management Company Limited                      |
| St Edeyrs Village (Cardiff) Residents Management Company Limited            |
| St Edmunds (Frome) Management Company Limited                               |
| St George (Lancaster) Management Company Limited                            |
| St Gregorys (Swarcliffe) Management Company Limited                         |
| St James Park (Bramley) Management Company Limited                          |
| St Johns Wood (North Baddesley) Management Company Limited                  |
| St Oswalds Park (Gloucester) Management Company Limited                     |
| St Peters Place (Salisbury) Management Company Limited                      |
| St Stephens Pavilion Management Company Limited <sup>4</sup>                |
| Stanbridge Meadows (Petersfield) Management Company Limited                 |
| Staynor Hall Phase 3J (Selby) Management Company Limited <sup>11</sup>      |
| Strawberry Fields Penryn Management Company Limited                         |
| Stream View Management Company Limited <sup>18</sup>                        |
| Sunningdale Park (Thornton) Management Company Limited                      |
| Sycamore Rise (Thame) Residents Management Company Limited                  |
| Tarraby View (Carlisle) Management Company Limited                          |
| Teasdale Place (Carlisle) Management Company Limited                        |
| The Acorns (Shirley) Management Company Limited                             |
| The Alders (Gilwern) Residents Management Company Limited                   |
| The Beeches (Ellesmere Port) Management Limited <sup>15</sup>               |
| The Boulevards (East Tilbury) Residents Management Company Limited          |
| The Boulevards (Newport) Residents Management Company Limited               |
| The Brambles (Market Deeping) Residents Management Company Limited          |
| The Bridge (Dartford) 29 And 31A Residents Management Company Limited       |
| The Carriages (Burscough) Management Company Limited                        |

#### Company Name

|                                                                         |
|-------------------------------------------------------------------------|
| The Collection (St Neots) Management Limited                            |
| The Cottons (Holmes Chapel) Management Company Limited                  |
| The Crescent FP Management Company Limited                              |
| The Crescent Medstead Management Company Limited <sup>18</sup>          |
| The Croft (Burgess Hill) Residents Management Company Limited           |
| The Crossings (Stafford) Management Limited                             |
| The Drive (Harold Hill) Management Company Limited                      |
| The Edge (Billington Road) Management Company Limited <sup>15</sup>     |
| The Edge (Hempstead) Management Limited                                 |
| The Fairway (Scunthorpe) Management Company Limited <sup>8</sup>        |
| The Fell (Lyde Green) Management Company Limited                        |
| The Fir Trees (West Bromwich) Management Company Limited <sup>15</sup>  |
| The Gateway (Colchester) Residents Management Company Limited           |
| The Goldings Newquay Management Company Limited                         |
| The Grange (Chalfont St Peter) Management Company Limited               |
| The Grange (Chepstow) Limited                                           |
| The Grange (Swindon) Management Company Limited                         |
| The Haven (Swansea) Management Company Limited                          |
| The Hedgerows (Thurcroft) Management Company Limited <sup>13</sup>      |
| The Heights (Newark) Residents Management Company Limited               |
| The Lancasters (Cambridge) Residents Management Company Limited         |
| The Laurels (Ipswich) Management Company Limited                        |
| The Links (Machynys East) Management Company Limited <sup>12</sup>      |
| The Links (Seascale) Management Company Limited                         |
| The Maltings (Shaftesbury) Management Company Limited                   |
| The Maltings (Shaftesbury) No 2 Management Company Limited              |
| The Middles (Stanley) Management Company Limited                        |
| The Nightingales (Helpston) Residents Management Company Limited        |
| The Oaks (Selly Oak Management Company) Limited <sup>9</sup>            |
| The Orchard (Elsenham) Management Company Limited                       |
| The Orchard (Fenstanton) Residents Management Company Limited           |
| The Orchard Brompton Farm (Strood) Residents Management Company Limited |
| The Oval (Selly Oak) Management Company Limited <sup>9</sup>            |
| The Paddocks (Enstone) Management Company Limited                       |
| The Pinnacles Management Company (Thamesmead) Limited                   |
| The Pipins (Rugeley) Management Company Limited <sup>15</sup>           |

### 33 Details of all subsidiary undertakings (continued)

#### Company Name

|                                                                             |
|-----------------------------------------------------------------------------|
| The Poppies (Harleston) Management Company Limited                          |
| The Poppies Management Company Limited                                      |
| The Priory (Llandough) Residents Management Company Limited                 |
| The Reeds Lower Halstow Management Company Limited <sup>18</sup>            |
| The Vale (Easingwold) Management Company Limited <sup>13</sup>              |
| The Village, Aveley Phase II Residents Management Company Limited           |
| The Whinmoor (Leeds) Management Company Limited <sup>13</sup>               |
| The Windmills (Kirkton) Residents Management Company Limited                |
| Thornley Woods (Gateshead) Management Company Limited                       |
| Towcester Grange (Towcester) Residents Management Company Limited           |
| Trees (Billingshurst) Limited <sup>18</sup>                                 |
| Trevethan Meadows Liskeard Management Company Limited                       |
| Tudor Park (Saffron Walden) Management Company Limited                      |
| Tundra Point (Emersons Green) Management Company Limited                    |
| Urban Central (Grays) Residents Management Company Limited                  |
| Urpeth Green (Ouston) Management Company Limited                            |
| Valley Heights (Frome) Management Company Limited                           |
| Village Mews (Southowram) Management Company Limited                        |
| Walnut Tree Garden Management Company Limited <sup>18</sup>                 |
| Watercress Way Management Company Limited <sup>18</sup>                     |
| Waterfield Place (Market Harborough) Residential Management Company Limited |
| Waters Edge (Buckshaw) Management Company Limited                           |
| Waters Edge (Wimborne) Management Company Limited                           |
| Waterside at The Bridge Management Company Limited                          |
| Weavers Meadow Estates Management Company Limited                           |
| Weavers View (Pleasley Hill) Residents Management Company Limited           |
| Weavers Wharf Apartments (Coventry) Management Company Limited              |
| Wellington Gate (Maresfield) Management Company Limited                     |
| Wellswood Park (Reading) Residents Management Company Limited               |
| Wentworth Green Management Company Limited                                  |
| West Gate House (Machynys East) Management Company Limited <sup>12</sup>    |
| West Wick Management Company Limited <sup>2</sup>                           |
| Westbury Leigh (Westbury Leigh) Management Company Limited <sup>12</sup>    |
| Westgate (Llanfoist) Management Company Limited                             |
| Westhaven Apartments (Barry) Residents Management Company Limited           |

#### Company Name

|                                                                         |
|-------------------------------------------------------------------------|
| Weston Park Limited                                                     |
| Westvale Park (Horley) Management Company Limited <sup>14</sup>         |
| Wharf Road (Ellesmere) Management Company Limited <sup>15</sup>         |
| Wheatfield Grange (Westerhope) Management Company Limited <sup>11</sup> |
| Whiteford Mews Management Company Limited                               |
| Whittington Walk (Worcester) Management Company Limited <sup>16</sup>   |
| Willow Court (Abergavenny) RMC Limited                                  |
| Willow Court (West Ewell) Management Company Limited                    |
| Willow Park (Aylsham) Management Company Limited                        |
| Windmill View (Stanground) Residents Management Company Limited         |
| Wombwell (Barnsley) Management Company Limited                          |
| Woodbridge House Management Company Limited                             |
| Woodland Gardens (Pyle) Management Company Limited                      |
| Woodland Rise (Great Cornard) Residents Management Company Limited      |
| Yew Tree Farm (Droitwich) Management Company Limited                    |
| Ysgol Maes Dyfan (Barry) Residents Management Company Limited           |

\*Private company limited by shares.

1 Sherman Road, Bromley, Kent, BR1 3JH  
2 135 Aztec West, Bristol, BS32 4UB  
3 1st Floor Lancaster House, 67 Newhall Street, Birmingham, B3 1NQ  
4 2 Church Road, Swainsthorpe, Norwich, NR14 8PH  
5 2 Hills Road, Cambridge, Cambridgeshire, CB2 1JP  
6 20 King Street, London, EC2V 8EG  
7 3rd Floor Citygate, St. James' Boulevard, Newcastle Upon Tyne, NE1 4JE  
8 4335 Park Approach, Thorpe Park, Leeds, LS15 8GB  
9 45 Summer Row, Birmingham, B3 1JJ  
10 94 Park Lane, Croydon, Surrey, CR0 1JB  
11 Cheviot House, Beaminster Way East, Newcastle Upon Tyne, NE3 2ER

12 Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY  
13 Gateway House, 10 Coopers Way, Southend On Sea, Essex, SS2 5TE  
14 Homer House, 8 Homer Road, Solihull, B91 3QQ  
15 North Point, Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF  
16 Persimmon Homes, Aspen House, Birmingham Road, Studley, Warwickshire, B80 7BG  
17 RMG House, Essex Road, Hoddesdon, Hertfordshire, EN11 0DR  
18 Scholars House, 60 College Road, Maidstone, Kent, ME15 6SJ  
19 The Maltings, Hyde Hall Farm, Sandon, Hertfordshire, SG9 0RU  
20 Victoria House, 178 - 180 Fleet Road, Fleet, Hampshire, GU51 4DA  
21 Whittington Hall, Whittington Road, Worcester, Worcestershire, WR5 2ZX

## SHAREHOLDER INFORMATION

### Analysis of shareholding at 31 December 2017

| Size of shareholding | Number of<br>shareholders | %<br>of shareholders | Number of<br>shares | %<br>of shares |
|----------------------|---------------------------|----------------------|---------------------|----------------|
| 1 – 5,000            | 8,734                     | 87.73                | 5,759,941           | 1.87           |
| 5,001 – 50,000       | 777                       | 7.81                 | 13,601,739          | 4.40           |
| 50,001 – 250,000     | 263                       | 2.64                 | 30,620,853          | 9.91           |
| 250,001 and over     | 181                       | 1.82                 | 258,873,897         | 83.82          |
| <b>Total</b>         | <b>9,955</b>              | <b>100.00</b>        | <b>308,856,430</b>  | <b>100.00</b>  |

### Share price – year ended 31 December 2017

|                           |        |
|---------------------------|--------|
| Price at 31 December 2017 | £27.38 |
| Lowest for year           | £17.60 |
| Highest for year          | £28.90 |

The above share prices are the closing share prices as derived from the London Stock Exchange Daily Official List.

### Financial Calendar 2018

|                                           |                 |
|-------------------------------------------|-----------------|
| Ex-Dividend Date of 125p interim dividend | 8 March 2018    |
| Record Date of 125p interim dividend      | 9 March 2018    |
| Payment of interim dividend of 125p       | 29 March 2018   |
| Annual General Meeting                    | 25 April 2018   |
| Trading Update                            | 25 April 2018   |
| Ex-Dividend Date of 110p final dividend   | 14 June 2018    |
| Record Date of 110p final dividend        | 15 June 2018    |
| Payment of final dividend of 110p         | 2 July 2018     |
| Trading Update                            | 5 July 2018     |
| Announcement of Half Year Results         | 21 August 2018  |
| Trading Update                            | 8 November 2018 |

### Five Year Record

|                                | 2017             | 2016      | 2015      | 2014      | 2013      |
|--------------------------------|------------------|-----------|-----------|-----------|-----------|
| Unit sales                     | <b>16,043</b>    | 15,171    | 14,572    | 13,509    | 11,528    |
| Revenue                        | <b>£3,422.3m</b> | £3,136.8m | £2,901.7m | £2,573.9m | £2,085.9m |
| Average selling price          | <b>£213,321</b>  | £206,765  | £199,127  | £190,533  | £180,941  |
| Profit from operations         | <b>£966.1m</b>   | £778.5m   | £634.5m   | £473.3m   | £333.1m   |
| Profit before tax              | <b>£977.1m</b>   | £782.8m   | £637.8m   | £475.0m   | £329.6m   |
| Basic earnings per share       | <b>258.6p</b>    | 205.6p    | 173.0p    | 124.5p    | 83.3p     |
| Diluted earnings per share     | <b>246.5p</b>    | 199.5p    | 169.1p    | 124.3p    | 82.8p     |
| Cash return/dividend per share | <b>235.0p</b>    | 135.0p    | 110.0p    | 95.0p     | 70.0p     |
| Net assets per share           | <b>1,036.6p</b>  | 887.3p    | 800.7p    | 715.4p    | 671.4p    |
| Total shareholders' equity     | <b>£3,201.6m</b> | £2,737.4m | £2,455.8m | £2,192.6m | £2,045.5m |
| Return on capital employed     | <b>51.5%</b>     | 39.4%     | 32.1%     | 24.6%     | 17.6%     |

All figures stated before exceptional items, goodwill amortisation/impairment where applicable.

**Directors****Nigel Mills**

Senior Independent Director  
and Acting Chairman

**Jeff Fairburn**

Group Chief Executive

**Dave Jenkinson**

Group Managing Director

**Mike Killoran**

Group Finance Director

**Marion Sears**

Non-Executive Director

**Rachel Kentleton**

Non-Executive Director

**Simon Litherland**

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 Advisor/Corporate Broker**

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](http://www.investorcentre.co.uk)

Logo removed

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