PERSIMMON PLC

Building homes, creating value

Annual Report 2015

FIND OUT MORE ONLINE

Find a home

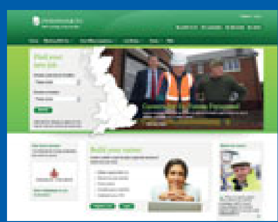
A buyers' guide to Persimmon and Charles Church new homes.

www.persimmonhomes.com
www.charleschurch.com

Persimmon Group

Financial and corporate information on the Group including current share price.

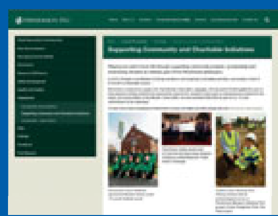
www.corporate.persimmonhomes.com



Recruitment

Information on the careers and positions available within the Persimmon Group.

www.persimmonjobs.com



Corporate responsibility

This section includes the Sustainability Report, our report on corporate responsibility and the sustainability of our new homes.

www.corporate.persimmonhomes.com

We build a broad range of homes from affordable housing to luxury family homes across England, Scotland and Wales.

Our quality and attention to detail is a simple priority that we have practised for over 40 years.

This has helped us become one of the UK's largest housebuilders, creating value for both shareholders and customers.

Charles Church, The Grove, Weston-super-Mare

Highlights of the year

Another strong performance

FINANCIAL HIGHLIGHTS

Revenue	Free cash generation[1]	Operating margin[2]
£2.90bn	£484.6m	21.9%
+13%	+25%	+19%
(2014: £2.57bn)	(2014: £388.7m)	(2014: 18.4%)

Profit before tax[2]	Return of cash	Net assets per share
£637.8m	110p	800.7p
+34%	+16%	+12%
(2014: £475.0m)	(2014: 95p)	(2014: 715.4p)

OPERATIONAL HIGHLIGHTS

Homes sold	Landbank (plots)	Forward sales[3]
14,572	93,649	£1,675.8m
+8%	+7%	+12%
(2014: 13,509)	(2014: 87,720)	(2015: £1,490.2m)

Average site numbers	Average selling price[4]	Construction waste recycled
380	£199,173	92%
+0%	+4%	+2%
(2014: 380)	(2014: £190,667)	(2014: 90%)

1 Free cash generation is defined as net cash flow before financing activities.
2 Stated before goodwill impairment of £8.3m (2014: £8.0m).
3 As at 22 February 2016 (2015 figure as at 23 February 2015).
4 Stated before fair value charge of £0.6m (2014: £1.1m) on shared equity sales.

Key performance indicators
See pages 16 and 17

Disciplined growth and increased Capital Returns

The Group has delivered an outstanding performance in 2015.

Results

The Group has delivered an outstanding performance in 2015. Revenues increased by 13% year on year to £2,901.7m (2014: £2,573.9m) with the Group's average selling price of £199,127 being 4.5% higher (2014: £190,533). New home legal completion volumes increased by 8% to 14,572 (2014: 13,509). Over the last three years Persimmon has increased the volume of new homes sold to customers by almost 50%.

This strong growth results from working hard to open new outlets as quickly as possible following receipt of an implementable planning consent and from actively managing build programmes to secure improved rates of new home construction on every development site to meet demand. This disciplined growth is a key feature of the Group's long term strategy.

Persimmon opened over 250 new sites during 2015 (2014: 185). Legal completions from these new sites helped to reduce the Group's land cost recoveries during the year. The combination of strong control over development costs and these lower land recoveries resulted in underlying gross margins increasing by 320 basis points year on year to 25.4% (2014: 22.2%).

Underlying operating profits* increased by 34% year on year to £634.5m (2014: £473.3m). At 21.9%, underlying operating margin* for 2015 is 350 basis points ahead of the prior year (2014: 18.4%). The increased sales volume combined with modest investment in operating overhead, improved the Group's operating efficiency and added 30 basis points to the Group's operating margin. With the further increase in volume delivery in the second half of the year, second half volumes being 13% higher than the first half, underlying operating margin* reached 23.0%, 250 basis points stronger than the 20.5% achieved in the first half.

Underlying profit before tax* increased by 34% to £637.8m (2014: £475.0m) delivering underlying basic earnings per share* of 173.0 pence which is 39% higher than last year's 124.5 pence.

The combination of particularly strong trading in 2015, together with good capital discipline, resulted in total shareholder equity value per share for the year (before capital returns) of 181 pence per share, an increase of 53% over the value generated last year (2014: 118 pence per share).

The Group's liquidity is strong. We generated £483m of free cash before capital returns during the year despite acquiring 20,501 plots of new land across 123 high quality locations, including 6,739 plots from 35 sites within our strategic land portfolio.

The Group held £570.4m of cash at the end of the year (2014: £378.4m). Return on capital employed** was 32.1% for 2015, an improvement of 30% over the previous year (2014: 24.6%).

Long term strategy and Capital Return Plan

We have now completed four years of our long term strategy launched in February 2012 and the Group's performance is currently significantly ahead of our original expectations. This strategy is focused on mitigating the risks to sustainable shareholder value creation inherent in the UK housing market by maintaining capital discipline and delivering strong free cash generation to shareholders through the housing cycle. In doing this, we are building a stronger, larger business based upon disciplined investment in land and work in progress, at a pace and scale that optimises trading efficiencies and land replacement activity whilst minimising financial risk.

* Stated before goodwill impairment

** 12 month rolling average and stated before goodwill impairment

110p
Dividend

Capital Return Plan increased by
45%
to
£2.76bn
or
£9
per share

The strategic plan recognised the potential for the business to generate substantial surplus capital should the Group's operational execution be successful. The Board therefore made a long term commitment in early 2012 to deliver £1.9bn (£6.20 per share) of surplus capital to shareholders over nine-and-a-half 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. To date £733m, or £2.40 per share, has been returned to shareholders, including the £291m, or 95 pence per share, returned on 2 April 2015.

Given the excellent progress the Group has made, the Board is now announcing an acceleration of, and an increase to, the Capital Return Plan in line with the principles embedded within our long term strategy. These improvements are made while recognising that minimising financial risk and retaining flexibility for reinvestment in the business remains a priority.

Accordingly, the Company will make a cash return of 110 pence per share as an interim dividend payment for 2015 on 1 April 2016 to shareholders on the register on 4 March 2016. This is an increase of 100 pence per share on the provisional 10 pence per share payment proposed under the current Plan schedule, and an increase of 15 pence per share, or 16%, on the 95 pence per share paid in 2015. This will be the only dividend paid in relation to the 2015 financial year. Following this payment, the Company will have £2.70 per share, or 44%, of the original £6.20 per share left to pay.

Furthermore, I am also pleased to announce that the Board has decided to increase the total value of capital to be returned to shareholders within the original Capital Return Plan period. In line with the Board's firm belief that the prioritisation of capital discipline through the housing cycle is critical to the successful delivery of sustainable, superior shareholder value, the Board intends to maintain the original long term Capital Return Plan period commitment to 2021.

The Board is increasing the original Capital Return Plan by c. £860m, or £2.80 per share, over the plan period to 2021. The total value of the Capital Return Plan will therefore rise to c. £2.76bn, or £9.00 per share, an increase of 45% over the original Plan.

In addition, at this point, it is intended that the future Capital Return Plan payments of £5.50 per share will be paid in equal instalments of £1.10 per share over the remaining five years of the Plan period, commencing in 2017.

The actual value of the surplus capital to be returned to shareholders will continue to be assessed each year after considering the appropriate balance between the current financial position of the Group and its landbank, the housing market cycle and land market conditions, and wider-ranging risks and external conditions. Each Capital Return Plan payment will be recommended by the Board at the time of the announcement of the Group's full year results in February each year, with payment planned at the start of the following July.

Board changes

The Board announced a number of Board changes on 7 January 2016. Nigel Greenaway is to retire at the Company's AGM on 14 April 2016. On behalf of the Board I would like to thank Nigel for his dedication and contribution to Persimmon over almost 30 years of service with the Group and wish him well in retirement.

Similarly, we thank both Richard Pennycook and Mark Preston for their valuable contribution to the Group over their tenures as Non-Executive Directors, ahead of their resignations from the Board at the forthcoming AGM.

Finally, the Board looks forward to Nigel Mills joining the Group as Non-Executive Director on 4 April 2016.

Outlook

Customer activity in the first seven weeks of the 2016 spring season has been encouraging. Visitors to our sites are 12% ahead year on year, cancellations remain low and our weekly private sales rate is 13% ahead of the prior year.

Current total forward sales, including legal completions taken so far in 2016, are £1,676m, 12% ahead of the previous year (2015: £1,490m). Customer confidence is being supported by higher employment levels, improvement in disposable incomes and a mortgage market which is supporting home buyers in increasing numbers. The anticipated disciplined growth in mortgage lending will allow the industry to expand output to improve the supply of newly built homes to customers across the UK.

We are in a strong position to deliver further growth in 2016 supported by a refreshed outlet network of 380 active sites and our site opening programme for the year. With the support of the planning system, land from our strategic portfolio will provide an increasing proportion of the Group's building plots with detailed consent over the next couple of years. We remain ambitious in our plans for new land investment, concentrating on securing the highest quality returns for shareholders over the long term. We have experienced some modest selling price improvement so far this year and the Group will remain focused on achieving the best value for each home sold.

The progress of the UK's economic recovery will provide the opportunity for the Group to capture further improvements in build activity and to achieve sustainable growth towards the optimal scale of each of our businesses in their regional markets.

2015 has been a year of substantial growth for the Group, resulting in an excellent performance. I thank the management and all our staff, our suppliers and contractors for all their hard work. Today's recommended enhancement to the Capital Return Plan is a measure of the Board's confidence in the Group's future progress.

Nicholas Wrigley
Chairman

22 February 2016

£1,675.8m

Forward sales 12% ahead of prior year

Group overview

Quality and choice across the UK

HOUSE BRANDS

PERSIMMON
Together, we make a home

Persimmon Homes is our core brand. We offer a range of quality new homes, from studio apartments to executive family homes in around 400 locations throughout the UK. With a reputation built on quality, we sell most of our homes under this brand.

Average selling price[1]
£199,727

Units sold
10,043

Plots
62,967

CHARLES CHURCH
The name on the finest homes

Charles Church is one of the country's foremost housebuilding brands with an unrivalled reputation for the design and quality of the homes it builds. We build premium homes under this brand tailored to local markets where our research and experience has identified a strong demand for a premium product.

Average selling price
£283,690

Units sold
2,382

Plots
11,991

Westbury partnerships

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.

Average selling price
£102,810

Units sold
2,147

Plots
18,691

1 Stated before fair value charge of £0.6m on shared equity sales.

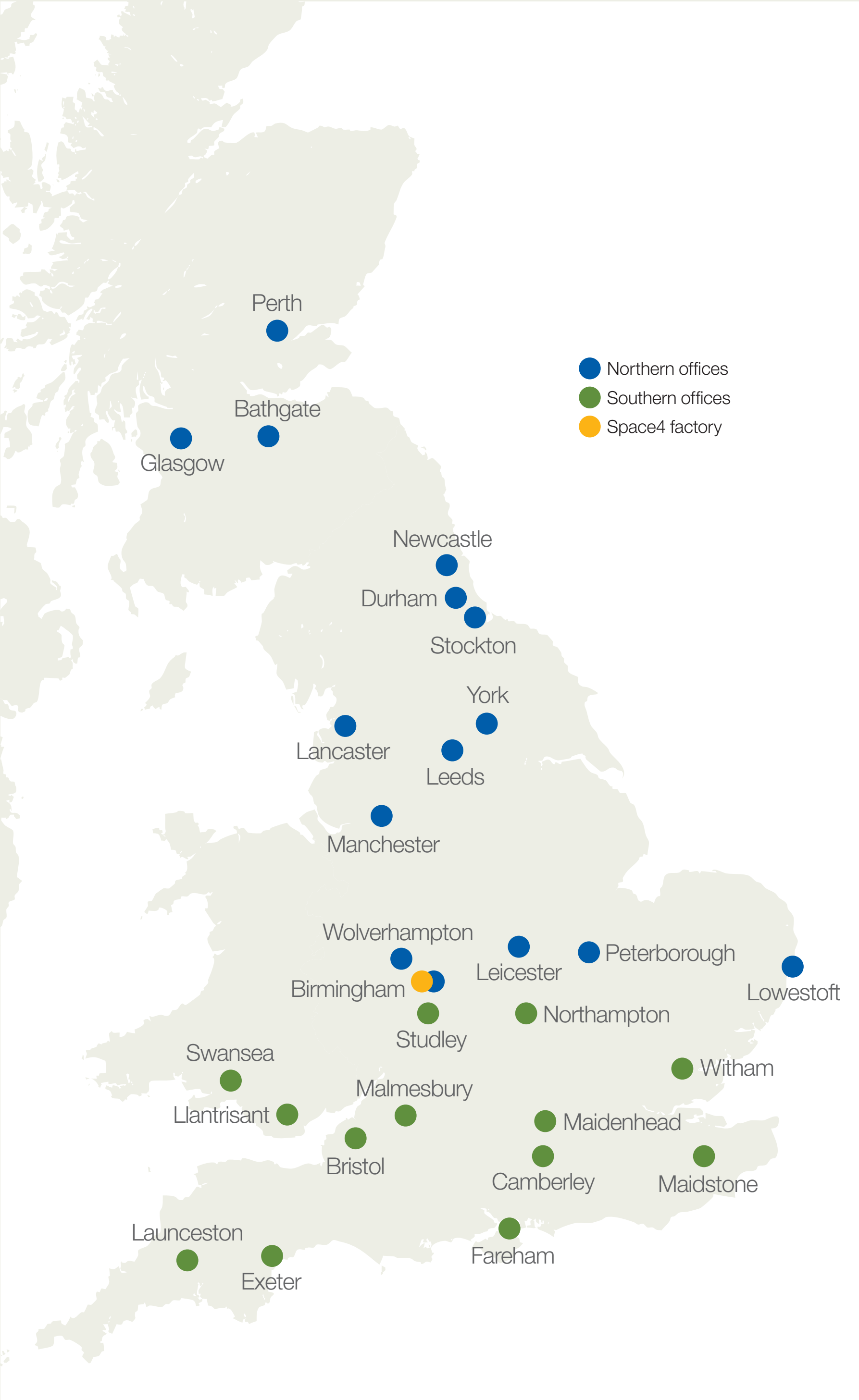
CONSTRUCTION BRAND

space4...
...fast-track construction system

Our Space4 business operates the largest automated timber frame manufacturing plant in the UK. Space4's unique building system has been developed to address three main challenges in housing delivery: affordability, energy efficiency and construction industry skills shortages. This business supports all of our brands and over 40% of the homes we build use Space4 timber frames.

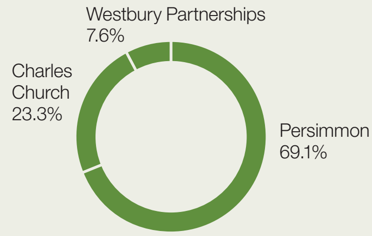
Space4 timber frame kits produced
6,011

LOCATIONS



CONTRIBUTIONS

Contribution to Group revenue
%



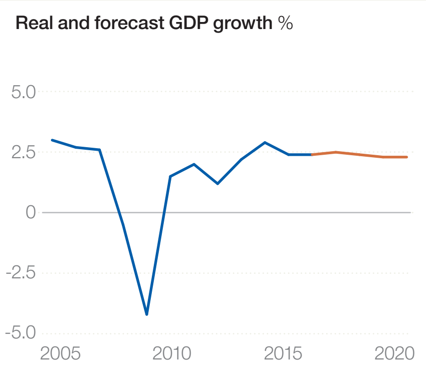
Units sold
Number

Landbank
Number of plots

The UK housing market

Key trends affecting our business

POSITIVE UK ECONOMIC GROWTH



* Source: ONS, OBR.

The UK housing market is cyclical and is most influenced by the health of the UK economy and consumer confidence. UK GDP growth during 2015 was 2.2%; HM Government forecast for growth in 2016 is c. 2.2%. Confidence in the economic outlook is key to supporting the Group's investment in long term housing projects, which generally have a three to ten year time span.

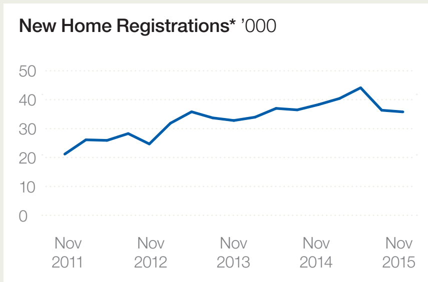
Consumer confidence remains positive at plus 2 based on GFK's/NOP UK Consumer Confidence Index, maintaining the recent trend of improving consumer confidence. A recent HBF survey shows that 67% of larger housebuilders said they expected sales in 2016 to exceed 2015 sales volumes.

OUR NEW HOMES MARKET SHARE

Market share

9%

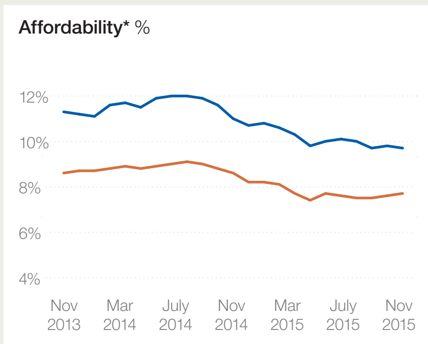
A total of c. 155,000 new homes were built in the UK in 2014/15 and the Persimmon Group's market share is around 9%. Total house sales in the UK during 2015 were c. 1.2 million, an increase of 1% on 2014.



* Source: NHBC.

DEMAND FOR HOUSING

There has been a consistent undersupply over the last 20 years of new homes in the UK to meet the country's increasing population and housing demand. As a result house prices have increased above inflation and the average UK house price of £188,270* in 2015 is now seven times the average salary. The number of owner occupied homes has fallen from 71% in 2003 to 63% in 2014 as a result of first time buyers being unable to afford to buy. The Government have announced plans to construct 100,000 homes under the Starter Homes Initiative and have extended the Help to Buy shared equity scheme until 2021. The Government estimates that the UK needs to build around 250,000 new homes each year to meet future housing demand.



— Home Mover Interest as a % of income

— FTB Interest as a % of income

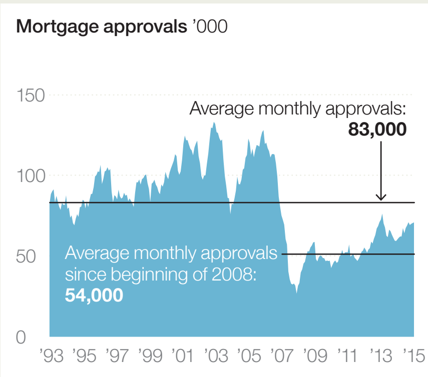
* Source: CML.

PLANNING AND REGULATION

The introduction of the National Planning Policy Framework (NPPF) in 2012 by the Government has resulted in an increase in the planning supply for new homes. Planning consents for over 200,000 new homes were granted in 2015, which will support progress to achieve the Government's significant housing targets in the future.

The NPPF requirement for local planning authorities to put in place five year plans will ensure a consistent supply of new planning permissions to enable the housing industry to commit capital to long term projects.

MORTGAGE AVAILABILITY



Source: Bank of England.

The numbers of new mortgages increased in 2015 to 804,000 new loans for home purchase (2014: 773,000). The long term average monthly number of new loans issued by CML members since 1990 is 89,000 loans per month.

During 2015 the average number of loans per month was 67,000, still significantly below the long term average. We support tightened FCA regulations regarding new lending which should lead to a more sustainable housing market in the longer term.

SKILLED LABOUR

The new homes industry has increased production by over 30% over the last three years. As a result there is an increased demand for skilled labour, particularly bricklayers and other specialist construction trades. The industry has responded with significant investment in training programmes and recruitment for the many varied careers in housebuilding. Increasing the skilled labour supply will be essential if the industry is to increase new homebuilding in the UK.

Business model

How we create value

INPUTS

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

Land

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

- **17,700** acres of strategic land
- **54,300** plots of land with implementable planning consent

People

Our people are essential to implementing our strategy. We currently employ over 4,400 staff and use many subcontractors and suppliers to meet our production targets.

- **4,400** employees

Geographic coverage

We have 28 regional offices across the UK to maintain geographical coverage to maximise sales potential and minimise risk in regional markets.

- **28** regional offices

Materials

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

Space4

We manufacture advanced insulated closed timber frames for an increasing number of our new homes to enable us to build to the best sustainability standards of energy efficiency and quality.

- **6,011** timber frame kits produced

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

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

17,700

Acres of strategic land

Buying land

Our development sites are acquired from our strategic land portfolio at a discount to open market value, or purchased on the open market with an existing planning consent. Maintaining our landbank gives continuity of supply and enables us to be selective in our land acquisitions.

54,300

Plots with implementable planning consent

OUTCOMES

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

14,572
Energy efficient homes

£629.5m
Profit before tax

Tax paid
In 2015 the Group paid £185.3m in corporation tax, national insurance, stamp duty, output VAT and irrecoverable input VAT

£291m
Capital returned to shareholders

Sustainable communities
In 2015 we provided £46m of community infrastructure, schools and open space

Financial strength
Balance sheet net assets of £2.46bn

Waste recycling
Increased to 92% of all construction waste

All figures as at 31 December 2015

Design & build

We focus on building family housing nationally under our key brands. Space4 technology supports our production rates by delivering energy efficient modern methods of construction. We maintain tight control over our construction costs and work in progress, so that we can react quickly to changes in housing demand.

380
Average site numbers

Sales & customer care

We build quality homes to order across the UK, from Plymouth to Perth and Swansea to Scarborough. By maintaining a national site network we can maximise our sales potential across the UK. Customer service from our sales teams is an important element in achieving high levels of customer satisfaction.

14,572
Homes sold

How we maximise performance

OUR AIM

To be the UK's leading national housebuilder, providing a range of desirable new homes for all markets across England, Scotland and Wales.

OUR STRATEGY

01
Grow and manage our business at an optimal scale whilst maximising value through land replacement and development as market conditions allow.

02
Deliver our strategic land holdings for development and maintain a high quality consented landbank to support our housebuilding operations.

03
Maintain discipline over the level of capital employed within the business through the housing cycle and optimise shareholder value and returns over the long term.

OUR PRIORITIES

Build sustainable homes

- Improve the energy efficiency of our homes and reduce running costs
- Use modern methods of construction to support site production rates and overcome any potential labour shortages
- Invest in Space4
- Improve resource and waste efficiency

Excellent customer focus

- Improve customer satisfaction and service levels
- Build good quality homes in attractive locations
- Further investment in sales and customer care training programmes
- Provide part exchange facilities to customers

Robust health and safety

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

Selective new site acquisitions

- Traditional site layouts
- Buy land in excellent locations
- Appropriate product mix for the local market
- Targeting sales to first time buyers using Help to Buy

Improve margins

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

Strong cash generation

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

Key performance indicators

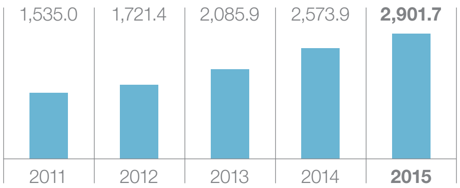
How we performed

FINANCIAL KPIs

Revenue measures

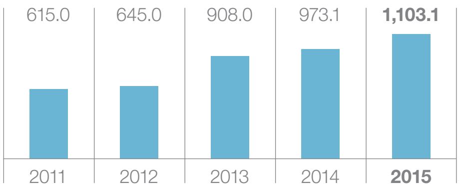
Strength of revenue is an important measure of the success of our business plan. Our emphasis on traditional housing puts us in a strong position to maximise sales.

Revenue £m



Strategic priority:
Grow our business
See page 15

Forward sales £m at 31 December

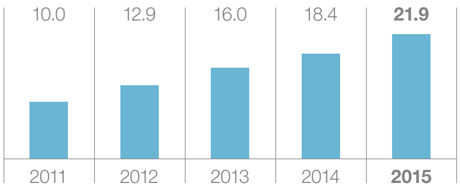


Strategic priority:
Grow our business
See page 15

Profit measures

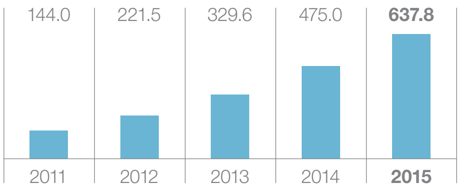
Our margin has historically been one of the best in the sector and our cost reduction and efficiency programmes have been undertaken to maintain this position.

Operating margin % [1,2]



Strategic priority:
Improve margins
See page 15

Profit before tax £m [1,2]



Strategic priority:
Improve margins
See page 15

1 *Stated before exceptional items and goodwill impairment. After exceptional items and goodwill impairment the figures are as follows: Operating margin: 21.6% (2014: 18.1%; 2013: 16.3%; 2012: 12.7%; 2011: 10.6%); Profit before tax: £629.5m (2014: £467.0m; 2013: £337.1m; 2012: £218.2m; 2011: £143.1m).*

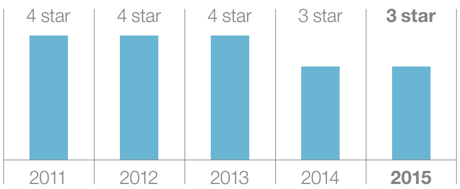
2 *2011–2012 comparatives restated for IAS 19 Employee Benefits (revised).*

NON-FINANCIAL KPIs

Customer survey

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

Star rating



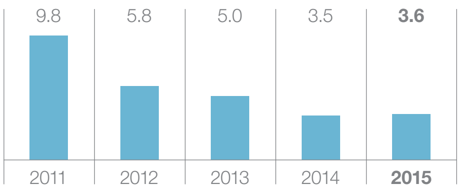
Strategic priority:
Excellent
customer focus
See page 15

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

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.

Number

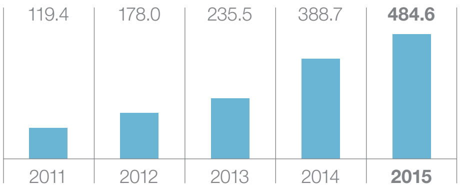


Strategic priority:
Robust health
and safety
See page 15

Cash and cash flow measures

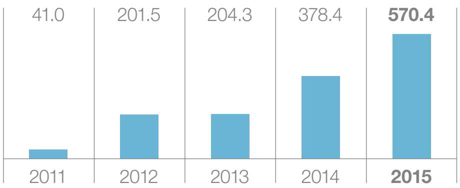
Cash and free cash generation are used to measure balance sheet strength and liquidity. Ensuring we have an appropriate capital structure to support our strategy is a key to our success.

Free cash generation £m[3]



Strategic priority:
Strong cash generation
See page 15

Cash £m



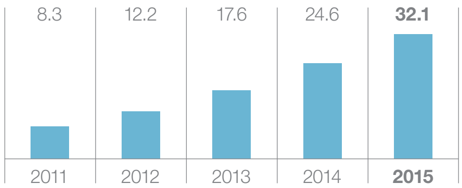
Strategic priority:
Strong cash generation
See page 15

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

Return measures

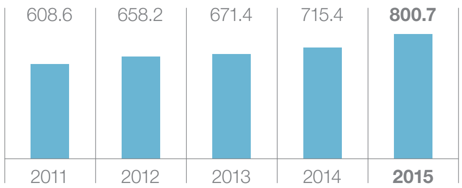
A combination of revenue and margin improvement will deliver growth in return on invested capital. We will continue our disciplined approach to working capital management.

Return on average capital employed %[4,5]



Strategic priority:
Discipline over capital employed
See page 15

Net assets per share Pence



Strategic priority:
Discipline over capital employed
See page 15

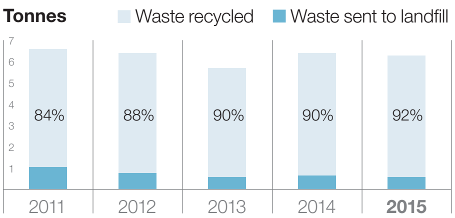
4 *Stated before exceptional items and goodwill impairment. After exceptional items and goodwill impairment the figures are as follows: Return on average capital employed: 31.7% (2014: 24.2%; 2013: 18.0%; 2012: 12.0%; 2011: 8.8%).*

5 *2011–2012 comparatives restated for IAS 19 Employee Benefits (revised).*

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

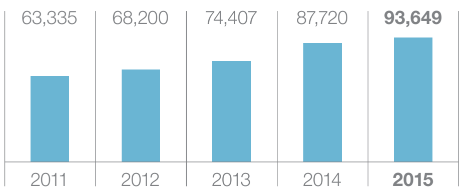


Strategic priority:
Build sustainable homes
See page 15

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



Strategic priority:
Selective new site acquisitions
See page 15

Persimmon Homes, Sycamore Chase, Haywood Village, Somerset

Strategic update

Building homes, creating value

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

Strategic update

The Group strategy launched at the start of 2012 is designed to create superior sustainable shareholder value over the long term and through the housing cycle. The strategy is designed to reflect the focus of the Group's operating model of delivering well-designed homes of quality in places where people wish to live and work. Our value-added model includes disciplined growth of the business to meet market demand.

Over many years each of the Group's operating businesses have worked closely with local communities to define and deliver developments that provide the new homes and associated infrastructure which make thriving local communities possible. All of the Group's management teams have shared aims and values which are based on a clear understanding of the basics of good housebuilding, buying high quality land, designing and building good quality homes and helping to create sustainable communities in desirable locations. Persimmon is proud to make such an important contribution to the future prosperity of its local markets.

Optimising the following key features of our business model is ensuring the successful execution of our strategy:

- Achieve and maintain the optimal scale for each of our regional businesses enabling our land replacement activity to be fulfilled most effectively;
- Prioritise strategic land investment and its conversion into high quality new developments with detailed planning consents to maximise shareholder returns over the long term;
- Disciplined management of the capital employed within the business through the housing cycle and optimisation of the Group's capital structure; and
- Create greater certainty for shareholders regarding the value and timing of returns.

This strategy, combined with the successful achievement of the Group's operational objectives which include measured allocation of resources and minimising operational and financial risks, will deliver surplus capital across the housing cycle. The strategy is formulated to generate the maximum sustainable returns and added value for our shareholders in compensation for accepting the principal risks that we face.

Capital discipline is reinforced through our long term Capital Return Plan which, in 2012, initially committed to return £1.9bn (£6.20 per share) of surplus capital to shareholders over nine-and-a-half years ending in 2021. This commitment is being strengthened with the announcement that the Directors are increasing the total value of the Capital Return Plan by 45% to £9.00 per share, or c. £2.76bn, by adding a further £2.80 per share, or c. £860m, of scheduled payments.

The Group's liquidity is strong. We have completed significant investment in new land of £2.6bn, bringing c. 102,000 new plots into the Group's landbank since the global financial crisis in 2008 and we have substantially increased our build activity to support an increase in the number of new homes delivered to customers by over 55% since the launch of the Group's strategy in 2012. This significant growth has been achieved whilst also returning £733m of surplus capital to shareholders, significantly ahead of the original Capital Return Plan schedule.

Persimmon has delivered further significant progress of its strategy in 2015 as follows:

Growth

The Group increased its revenues year on year by 13% to over £2.9bn, with the volume of new homes sold being 8% ahead at 14,572, over 1,000 legal completions higher than in the prior year.

Our strategy is to secure and maintain a sustainable market share in each of our regional markets. We opened two new operating businesses in 2015 to strengthen control over the growth of the Group, Teesside, located in Stockton, and Central, based in Castle Bromwich. Similarly, on 4 January 2016 we opened additional businesses at Launceston in Cornwall and Perth in Scotland.

Historically, the Group's optimal annual private sales rate from each active site has been around three new homes sold every four weeks (or c. 0.75 of a sale per site per week), with efficiencies and returns being maximised at this level. During 2015 the Group achieved a weekly sales rate of 0.67, an increase of 13% year on year. A key aim moving forward is to secure further improvement in returns and cash generation from disciplined growth in the scale of our housebuilding operations.

Momentum

Total forward sales at 22 February 2016, including legal completions so far this year, increased to £1.68bn, 12% stronger than at the same point last year (2015: £1.49bn).

Resilience

Persimmon has invested in its people and their skills over the long term. This investment supports the Group's land replacement activity with a keen focus on opening up new development sites as quickly as possible. We opened 252 new sites during 2015, a 36% increase on the 185 new sites opened in 2014. Whilst achieving implementable detailed planning consents remains a challenge, we are optimistic of launching a further 100 new sites in the first half of 2016.

Over the four years since the launch of the new strategy we have opened more than 730 new sites. The Group currently has a strong network of 380 sites across all regions of the UK (2014: 385). The management team's skills, expertise, and hard work make the Group's operations strong and resilient.

Asset strength

In our landbank the Group owned c. 54,300 plots of land at 31 December 2015 which have an implementable detailed consent. In line with the National Planning Policy Framework local planning authorities are required to identify sufficient land to fulfil the next five years of local housing need. These Local Plans must be completed by 2017. With anticipated further growth, this detailed consented landbank provides visibility of supply to support our operational plans over the short term.

Further out in our landbank we own a further c. 8,700 plots which have only an outline consent and these will feed into our current landbank over future years as we work through the planning requirements to enable a start on site. Bringing new sites into production swiftly remains a key challenge for the industry but we are encouraged by the Government's drive to continue improving the planning system. Should these actions prove successful the industry will have greater confidence in its ability to acquire sufficient new land of the right quality in a timely fashion, thereby reducing the need to carry land investment at current levels in support of anticipated short term development activity.

In addition, at the year end, the Group controlled a further 30,700 plots of land which have outline consent for residential use and for which contracts to purchase have been exchanged. However, the ultimate acquisition of this land typically remains subject to achieving clearance of numerous planning conditions and technical consents. We are working hard to achieve these implementable detailed consents to allow us to make a start on these sites as quickly as possible.

During 2015 the Group was successful in acquiring 20,501 plots of new land on 123 sites, of which 6,739 plots were converted from our strategic land portfolio. Since the launch of the new strategy, we have successfully converted over 27,400 plots from our strategic land portfolio and invested in a further 7,600 acres of strategic land.

Of the plots owned or under our control within our forward consented landbank at 31 December 2015, c. 44 % were previously strategic land parcels.

To support the growth of the business we have acquired c. 79,800 plots of new land since the launch of the Group's strategy in 2012. Our cash spend on land over this period totals c. £2.09bn.

63,000

owned plots of consented land

44%

of consented landbank obtained from strategic land

Strategic update
(continued)

21.9%
underlying operating margin**

32%
Return on average capital employed

Returns

Persimmon's return on average capital employed* ("ROACE") for 2015 of 32.1% improved by 30% from 24.6% in 2014.

The 19% growth in underlying operating margin** to 21.9% in 2015 (from 18.4% in 2014) supported this significant improvement in returns. Underlying operating profits** for the year increased by 34% to £634.5m (2014: £473.3m). The Group's strong focus on securing improvements in site construction programmes resulted in the continuation of our industry leading asset turn, with work in progress representing just 18% of 2015 revenues, again supporting the higher levels of returns.

The Group's disciplined capital efficiency delivers strong liquidity. Including land creditor extension, free cash generated before capital return in 2015 was £483m, or 158 pence per share (2014: £388m, or 127 pence per share). Since the launch of the new strategy the Group has generated over £1.28bn, or c. 420 pence per share, of free cash before capital returns.

Surplus capital

On 2 April 2015 Persimmon paid a third, accelerated, instalment under the Capital Return Plan of 95 pence per share, amounting to £291m.

As explained in the Chairman's Statement the Directors are further accelerating payment of £1.10 per share, or c. £338m to be paid on 1 April 2016. This payment will be an interim dividend for the 2015 financial year. We will not be paying a final dividend for the 2015 financial year.

In addition, the Directors are increasing the Capital Return Plan by £2.80 per share, or c. £860m, a c. 45% increase in total value. This will leave £5.50 per share to be paid over the last five years of the Capital Return Plan to 2021. It is currently intended to deliver this value in equal instalments over the remaining five years of the Plan period commencing in 2017.

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

Original Plan	New Plan	Original Plan Pence Per Share	New Plan Pence Per Share
28 June 2013	28 June 2013	75 paid	75 paid
	4 July 2014	–	70 paid
30 June 2015	2 April 2015	95 paid	95 paid
	1 April 2016	–	110
30 June 2017	6 July 2017	110	110*
	6 July 2018	–	110*
30 June 2019	5 July 2019	110	110*
30 June 2020	6 July 2020	115	110*
30 June 2021	6 July 2021	115	110*
Total		620	900

** Current anticipated profile of payments.*

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

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

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

*** Stated before goodwill impairment.*

How we manage risk

Long established and effective framework

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

Board

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

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 Group performance against budget and forecasts
- Involvement in each operating business management meetings
- Reviews reports from Group Risk, the Health and Safety Director and the Corporate Responsibility Committee

Group Risk Department

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

OUR RISK MANAGEMENT SYSTEM

Identify
Areas of key focus

Mitigate
Implement control processes

Monitor
Using key risk indicators

Review
Performance and principal risks

Key areas of focus during 2015

- Quality of new land investment
- Monitoring health and safety policy and procedures
- Review of the carrying value of the Group's land and work in progress including the accuracy of cost recoveries
- Review of the carrying value of shared equity receivables
- Review of customer care, procedures and resources
- Review of Group sales and marketing policy and procedures
- Review of upgrade of information technology

Principal risks

Identifying what may affect our performance

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

Risk	Impact	Mitigation	Change in 2015
National and regional economic conditions	The housebuilding industry is sensitive to changes in unemployment, interest rates and consumer confidence. Any deterioration in economic conditions may significantly decrease demand and pricing for new homes, which could have a material effect on our business revenues, profits and cash flows and result in the impairment of asset values.	We carry out extensive due diligence prior to our land investment decisions to capture best returns. We monitor our geographical spread to mitigate the effects of local microeconomic fluctuations. We monitor lead indicators on the future direction of the UK housing market so as to manage our exposure to any future market disruption. We control the level of build on-site by closely managing our work in progress levels and matching supply to demand.	No change
Mortgage availability	Any restrictions in the availability of mortgages for our customers could reduce demand for our homes and affect revenues, profits and cash flows.	We monitor Bank of England commentary on credit conditions and the Council of Mortgage Lenders' monthly reports and lenders' announcements for trends in lending. We ensure that our investment in land and construction is appropriate for our level of sales and our expectations for market conditions.	Decreased risk
Health and safety	The health and safety of our employees, subcontractors, home owners and visitors to our construction sites is of paramount importance to us. Accidents on our sites could lead to reputational damage and financial penalties.	We ensure that the Board's health and safety strategy is implemented by our comprehensive management systems and controls, overseen by our Group Health and Safety Department to mitigate the risk of accidents on our sites.	No change
Regulatory compliance	Our business is subject to extensive and complex laws and regulations relating to planning and the environment. Our obligations to comply with legislation can result in delays causing us to incur substantial costs and prohibit or restrict land development and construction. Non compliance could also result in damage to the Group's reputation and financial penalties.	We operate comprehensive management systems to ensure regulatory compliance. We hold a landbank sufficient to provide security of supply for short to medium term requirements and engage extensively with planning stakeholders.	No change
Resources	Rapid expansion in UK housebuilding has driven an increase in demand for both materials and skilled labour and may cause costs to increase ahead of our expectations.	We closely monitor our build programmes enabling us to manage and react to any supply chain issues. We operate in-house training programmes for apprentices and mature trainees to support our need for increased skilled labour.	No change
Strategy	The Board has adopted its strategy as it believes it is the one most likely to add the greatest sustainable value for shareholders and stakeholders. It is possible that, with time, circumstances may arise 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 what is required of them to implement the strategy.	No change

Key
- *Increased risk*
- *No change*
- *Decreased risk*

Viability Statement

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

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

The Directors have assessed the viability of the Group over a six-year period, taking into account the Group's current position and the potential impact of the principal risks facing the Group. Based on this assessment, the Directors confirm that they have reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to the end of the Capital Return Plan on 31 December 2021.

A key feature of the Group's strategy launched in early 2012 and documented on pages 14 and 15 is the Group's commitment to maintain capital discipline over the long term through the housing cycle. On launch, this commitment was reinforced with the announcement of the Group's Capital Return Plan. This Capital Return Plan initially committed to return £1.9bn of surplus capital over the following ten financial years. As explained in the Chairman's Statement the Directors have further strengthened that commitment with a c. 45% increase in the value of surplus capital to be returned, an additional c. £860m, or £2.80 per share. The Group has now completed four years of this Capital Return Plan. Therefore the Directors have determined that the remaining six years of this Capital Return Plan ending 31 December 2021 is an appropriate period over which to provide this Viability Statement.

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

In making this statement, the Directors have carried out a robust assessment of the principal risks facing the Group and how the Group manages those risks, including those risks that would threaten its strategy, business model, future operational and financial performance, solvency and liquidity.

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

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

The UK housing market and brand performance

2015 has seen a confident housing market

14,572

New homes completed

The UK housing market

2015 has seen a confident housing market. In the first half of the year the UK economy benefited from stronger employment levels and an improvement in real disposable household incomes. Consumer sentiment continued on its improving trend and the mortgage market responded well to firm customer demand. These conditions provided a supportive backdrop to the housing market. Whilst markets became unsettled in the run up to the General Election, the clarity of the result removed uncertainty for the housebuilding industry and consumers alike. Mortgage approvals strengthened into the summer period and have been consistent through the second half of the year at c. 70,000 per month, being 18% ahead of the prior year in December. The availability of the Government sponsored Help to Buy shared equity scheme continued to support the provision of compelling mortgage offers for customers. In addition, the extension of this scheme to 2021 in the Autumn Spending Review provides additional visibility for the industry. Customer demand has been supported by the resilience of the UK's economic performance despite some gathering economic headwinds in the wider global economy. Following the General Election we experienced a more traditional seasonal pattern to trading through the remainder of 2015 with the Group's average private sale reservation rate in the second half being c. 80% of that achieved in the first half. On reaching the close of 2015 the Group's full year private sales rate was 13% ahead of the prior year.

We support the Bank of England's vigilance in ensuring disciplined lending practices continue in line with the Mortgage Market Review regulations introduced in April 2014, as well as providing guidance and direction to lenders through the Financial Policy Committee to complement current monetary policy settings and Government fiscal policy measures. We anticipate that these actions will all contribute to the sustainability of the UK housing market. With the continued measured support of lenders the industry will be able to continue to invest in the skills, land and work in progress to expand output and provide greater access to housing for communities across the UK.

The two key challenges for the industry in growing output remain opening new sites as swiftly as possible and resourcing sites with the appropriate level of skilled labour.

The Vale, Easingwold, Yorkshire

As explained elsewhere in this strategic report we have been successful in opening over 250 new sites in 2015 but we have seen our site network remain static at c. 380 sites for the year. We are convinced that there is an opportunity to improve the efficiency of the planning system to allow the commencement of construction activity earlier. The successful implementation by 2017 of the five year plans to satisfy local housing needs required of each local planning authority by the National Planning Policy Framework will provide additional land supply but this land needs to be allowed to flow into development as promptly as possible.

The availability of skilled labour remained a constraint during the period. The Group has increased the number of apprentices and graduate trainees engaged in the business significantly since the downturn in 2008. We are also pleased with the progress of our "Combat to Construction" initiative introduced in 2014 which provides re-training opportunities for service personnel on leaving the armed forces. We have complemented this scheme recently with our "Upskill to Construction" initiative which provides access to the same structured training programme for mature trainees across the country. We look forward to the support the Government's new Training Levy will contribute to our skills training initiatives, which we expect will produce good numbers of newly trained employees over the coming years. The Board is committed to this continued investment to help elevate industry output to higher sustainable levels.

To mitigate some of the pressures resulting from the desire to increase build rates on site the Group has continued to strengthen the management of its construction programmes to target productivity gains and efficiency improvements. A clear focus on anticipated build completion dates and prompt delivery of new homes to our customers is helping to improve the progress of our development activities. Greater utilisation of our standard Group house types as new sites open is also helping to secure increased production, with both owner aspirations and construction advantages being designed into these house types.

The introduction of the Government's Help to Buy scheme in April 2013 has been important to support activity in regional housing markets. Mortgage lenders have supported this 20% shared equity loan scheme with very competitive interest rates. These mortgages remain the most attractive opportunity for customers to buy a new home. During 2015 we sold 6,100 new homes to customers who have taken advantage of the scheme, 5,000 in England, and 1,100 in Wales and Scotland, where we have seen good take up of the equivalent shared equity products. We look forward with interest to the launch of the Government's "Starter Homes" initiative as an open market extension to affordable housing tenure types.

Our two private sale brands, Persimmon and Charles Church, have continued to perform well in their regional markets.

Persimmon

The Persimmon brand delivers traditional family housing in popular locations to the private owner occupier market. Total revenues*** for Persimmon of £2,006m increased by 24% over last year (2014: £1,624m). This revenue growth was largely driven by an 18% increase in legal completions for the year to 10,043 new homes (2014: 8,503 new homes). Persimmon's focus on the first time buyer and first mover segments of the market, with house types that customers have found desirable to buy whilst taking advantage of Help to Buy, was a key driver of this growth.

Reflecting Persimmon's market positioning, the brand continues to offer an extensive choice of new homes at affordable prices from a site network that spans the UK. Persimmon's average selling price*** of £199,727 for 2015, which increased 4.6% over the prior year (2014: £191,028), demonstrates this focus on supporting greater affordability and therefore access to the market. For the Group as a whole, over 50% of our total private market sales were delivered at prices of less than £200,000.

£2.9bn

Revenues for 2015
+13%

*** *Stated before fair value charge on shared equity sales.*

The UK housing market and brand performance
continued

£199,727

Persimmon Homes average selling price increased by 4.6%

For the Persimmon brand, our southern regional markets secured 43% of legal completion volumes and 52% of revenues with an average selling price*** for the year of £237,840 (2014: £221,001). This southern regional average selling price was 40% higher than that of our northern regional markets of £170,464 (2014: £169,514). The highest average selling price was again achieved by our Shires market at £268,663 (2014: £249,959). Good volumes of sales were delivered from higher value sites at Gooshays and Harold Hill, Romford and The Acorns, Shirley, Birmingham. With higher volumes of sales to first time buyers, the North West market delivered the lowest average selling price for the year at £153,447 (2014: £164,208) with sites at Riverside Point, Warrington and Brackenleigh, Carlisle providing compelling buying opportunities at lower price points.

Across the UK Persimmon's legal completion volumes increased 13% in the first half year on year, and were up 23% in the second half, resulting in growth of 18% for the year as a whole. Second half sales benefited from additional sites being opened up, particularly in our southern businesses, together with a confident private sales rate through the second six months. Our continued drive to improve build programmes and site resourcing helped Persimmon to deliver over 900 more new homes in the second half of the year compared with the first half, with 5,485 second half legal completions, a 20% increase. Our increasing build rates and efforts to open new sites as swiftly as possible supported this growth in output. For the second year running the largest volumes were secured in our Shires and Scottish markets with 1,632 and 1,371 legal completions respectively. Our North East, Midlands and Western markets also produced very strong sales with each delivering approximately 1,200 legal completions. We will continue to focus on growing each of our regional businesses to achieve their sustainable market share by meeting market demand. This approach will enable further growth in output in 2016 where markets allow.

With a consistent application of the planning regulations within the National Planning Policy Framework subsequent to the General Election in May we have experienced a gradual improvement in land supply, whilst competition for this land remains at disciplined levels. As a result we have been able to take advantage of opportunities to invest in new parcels of land at compelling levels of return. Persimmon acquired 14,605 plots of new land during the period and at the end of the year had 62,967 plots owned and under control in the forward consented landbank. This landbank now represents 6.3 years of forward supply at 2015 output levels having reduced from the prior year's 6.9 years due to the strong growth in legal completions in the year. Asset efficiency and return on capital employed will continue to improve with the further growth of the business.

During 2015 the Group was successful in progressing strategic land through the planning process and achieving consent for residential development. We delivered 4,221 plots into our consented landbank within the Persimmon business, which represents 42% of the plots consumed by legal completions in the year. We secured notable consents for 200 new homes at Bramley in Thames Valley, which we intend to triple brand with 25 plots allocated for Charles Church and 80 homes for Westbury Partnerships, and for 230 plots at Shrewsbury, in West Midlands which includes a Westbury Partnership housing allocation of 35 plots.

Our joint developments with St Modwen also delivered good growth from the eight active sites under construction, selling 331 new homes during the year (2014: 285 legal completions).

Charles Church

Charles Church offers executive housing in premium locations across the UK and its market positioning is designed to be complementary to that of the Persimmon brand. Through the second half of 2014 and the current year we have completed a process which has clarified the Charles Church brand offering to the market by eliminating any overlap with Persimmon in the same locations. This process has been assisted by the continued roll-out of the Group's standard house type portfolios for each brand as we have opened new sites, and has resulted in Charles Church selling a reduced number of smaller homes. As expected this process has reduced the overall number of active outlets offering Charles Church product across the UK by c. 20% to 85 active sites at the end of 2015. We continue to identify great locations where our market research points to strong demand for the Charles Church product and we expect Charles Church site numbers now to stabilise at around this level.

As a result of the rationalisation of the Charles Church site network, total legal completion volumes for the business reduced by 368 homes compared with last year, this reduction being balanced across both halves of the year. Indeed, Charles Church legal completions for each half of the year were almost identical at 1,197 homes in the first half and 1,185 in the second.

The Charles Church average selling price*** for the year of £283,690 increased 7.6% (2014: £263,637) with revenues*** 7% down at £676m (2014: £725m). Charles Church completed c. 65% of its sales in more southern markets. The outlet rationalisation and the weighting of sales to more southern markets, together with the firmer market for pricing experienced in these markets in 2015, have supported the average selling price increase year on year. We experienced stronger sales rates within these southern markets, for example at sites at St Andrews Ridge in Swindon, at The Fairways in Andover, at Great Woodcote Park in Exeter and at Sibley Park in Reading.

We continue to deliver both Persimmon and Charles Church branded new homes on our larger sites where the site allows a suitably differentiated offer to be developed, assisted by the Group standard house types for each brand. The Group is able to optimise its sales rates and achieve a more rapid asset turn by attracting customers from across the widest range of the home buying public using this dual branding technique. This allows our site operations to run more efficiently with consequential benefits being captured across the business, in customer care performance and health and safety compliance to continuity of site resourcing and build programming. Dual offers have been recently established at Chellaston, south of Derby where the development scheme includes 197 Persimmon plots and 140 Charles Church homes in different locations on the same large site and similarly on a 150 unit development at Lowton in the North West where 40 Charles Church homes are available.

The Group has invested strongly in new land for Charles Church during 2015 acquiring 2,175 plots. The business now holds 11,991 plots in its forward consented landbank which provides c. 5.0 years of forward supply at 2015 sales volumes. As part of our operational strategy for the business we anticipate the Charles Church landbank will remain shorter than that for Persimmon to allow Charles Church to deliver a strong return on capital whilst accommodating a sales rate which is typically slower than for Persimmon due to the higher average pricing.

Within the Charles Church business 876 plots were converted from the strategic landbank representing 37% of 2015 legal completions. This land will support the delivery of superior returns for the business as we make a start on these sites and legal completions are taken over future periods. Examples of sites utilising successfully converted strategic land include Mountsorrel in the North Midlands for a development of 130 new homes and at Northiam in the South East for 66 plots.

£283,690

Charles Church average selling price increased 7.6%

**** Stated before fair value charge on shared equity sales.*

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£102,810

Westbury Partnerships average selling price

Westbury Partnerships

Westbury Partnerships, our partnership housing business, delivered 2,147 new homes to our housing association partners across the UK in 2015, a reduction of 5% when compared to last year (2014: 2,256 homes). The average selling price for these homes increased 2.4% to £102,810 (2014: £100,357).

The business recognises that local knowledge is key to developing sustainable communities in locations where families wish to work and live. We are keen to further develop our relationships with housing associations to assist as many lower income families as possible to access the housing market in line with the aims of the National Planning Policy Framework. In this way we are able to help build new communities that are socially sustainable whilst also fulfilling our associated environmental obligations.

Recent Government measures with respect to rental levels, funding and tenure types are currently being digested by the market and may give rise to a broader provision of affordable housing to local communities, which embraces more accessible private market housing. The Government's Starter Home initiative announced in the Autumn Statement on 25 November 2015 targets the delivery of 200,000 new homes to first-time buyers under the age of 40 over the current parliament. We believe this initiative will be positive for the industry in supporting the desired increase in delivery of more new housing and we look forward to reviewing the detail of the scheme once finalised.

Our Partnerships business typically works with our housing association partners at an early stage in the planning process to identify the mix of product required by the local community across all tenures taking account of the projected dates for opening up the new sites. We are keen to deliver the newly built homes to our housing association partners as soon as possible in coordination with their funding position. This remains an important market for the Group, representing 15% of total Group legal completions for 2015. At 31 December 2015 we had over 3,600 affordable housing units forward sold in our order book providing a strong platform for future sales into this marketplace.

The Group's relationships with the Homes & Community Agency ("HCA") in England and the Housing Agencies in Scotland and Wales remain very strong. Westbury Partnerships is actively involved in managing our relationships associated with the Help to Buy equity loan scheme in England and similar schemes in Scotland and Wales. The Group has sold over 13,650 new homes to customers who have secured Help to Buy mortgages since these schemes started in 2013. The bulk of these sales have been to first-time buyers, reflecting the greater access this scheme provides for customers taking their first step into the housing market.

Westbury Partnerships leads the Group's participation in the Government's Affordable Housing Programmes ("AHP") which is focused on delivering low cost homes across the regions. The 2011-2015 AHP concluded in March 2015 under which the Group delivered 335 new homes, 80% for affordable rent and 20% for shared ownership on sites at East Trowbridge, Bath; Pointers Way, Redditch and Haddenham Parkway, Buckinghamshire. The AHP 2015-2018 commenced in April 2015 and we have been successful in securing support for the last phase of development at East Trowbridge to deliver an additional 28 new homes under this scheme. The Partnerships business will continue to work with the HCA to secure participation for our sites where appropriate in the new 2015-2018 AHP.

To increase land supply to the industry to support expansion in new build output the Government continues to dispose of public land through the Delivery Partner Panel ("DPP"). The Partnerships business secured the Group's participation in the DPP until May 2017. We achieved the first sales reservations during November 2015 from our site at Pleasley Hill, Mansfield sourced through the DPP. This scheme is planned to deliver 151 new houses including 31 affordable homes. We will continue to work to secure the development of newly released public land on appropriate terms from this Government led process to help to increase overall supply of newly built homes across the UK.

Space4

The Group's Space4 system is a modern method of construction using off-site factory based manufacturing techniques to produce timber frames and highly insulated panels as a "fabric first" solution to the construction of new homes. The process secures very high thermal efficiency for the new homes that are constructed using the system. Our Space4 capability places the Group in a strong position to be able to react to the implementation of more demanding building regulations that seek to reduce carbon emissions and global warming in the future. Our Space4 factory is based in Castle Bromwich, near Birmingham.

The Space4 system has supported the Group in fulfilling the increased demand we have experienced in the market and to deliver larger numbers of new homes over shorter build programmes. During 2015 the Group's housebuilding businesses increased their use of the unique Space4 system, with volumes of closed-panel timber frame house kits increasing by 18% to over 6,000 units (2014: 5,085 units). Space4 made an important contribution to the Group's industry leading asset turn of c. 5.6x in 2015.

The increasing coverage of standard Group house types on new sites provides our operating businesses with the opportunity to use more Space4 product, which in turn results in greater production volume through the factory, reducing unit costs with improved overhead recoveries. The increase in usage across the Group's site network has supported improved productivity, eased resourcing pressures and increased our construction capacity by simplifying site processes and reducing traditional skills content within these processes.

The Space4 factory has the capacity to increase production to around 8,000 kits each year. We will continue to focus on maximising the utilisation of this capacity to support the future growth of the business.

Space4 production increased by 18% to

6,011

timber frames produced

Persimmon Homes, The Grove, Sycamore Chase, Severn Valley

Operating and financial review

In 2015 underlying operating margin increased to 21.9%

£199,127
Group's average selling price

252
new sites started in 2015

Pricing and seasonality

Selling prices across our regional markets improved progressively through 2015. The Group's average selling price increased from £194,378 in the first half to £203,346 in the second half. For the full year our total average selling price increased by 4.5% year on year to £199,127 (2014: £190,533). For the Group as a whole, underlying average selling price firmed by c. 2.5%, with the remainder of the increase largely resulting from a change in mix as explained in the brand performance review earlier. Our southern regional markets accounted for c. 62% of total sales revenues in 2015, reflecting both the distribution of our active outlet network across the UK, together with a larger content of higher priced Charles Church homes in these southern markets.

The Group's legal completion volumes in the first half of 6,855 homes was 7% ahead of the prior year (2014: 6,408 homes) due to a combination of the strong forward sales reservation position at the start of 2015 (5% up on the prior year) and a confident spring sales season. The Group's average weekly private sales rate was 11% stronger through the first half of the year from a stable and strong active outlet network of c. 390 sites.

As a result of the strength of the spring market and the growth in delivered homes in the first half of the year our forward order volumes at 30 June 2015 were 9% up on the prior year. Sales volumes in the second half of the year increased further to 7,717 new homes, 13% ahead of the first six months and 9% ahead of the second half volume of the previous year (2014: 7,101 new homes). Forward sales reservation volumes at the end of 2015 finished 10% ahead of the prior year. This order book provides a further opportunity to grow volumes in 2016.

Profitability

In 2015 the Group secured a 350 basis point increase in underlying operating margin** to 21.9% (2014: 18.4%) as a result of both operational gains and new land investments. We are particularly pleased to note that the trend of improvement continued through the second half of the year where we achieved a margin of 23.0% (2014: 19.0%).

We have again worked very hard to open up new outlets promptly which has delivered significant rewards. The resulting improvement in land cost recoveries captured a 200 basis point contribution to the Group's gross margin year on year. For 2015 the value of the Group's land recoveries totalled 18.0% of sales, down from 20.0% in 2014. This continued improvement is driven by the quality of the land we have acquired across the UK as well as the focus on optimising planning opportunities. This value is delivered on opening new sites. We started 252 new sites in 2015 (2014: 185 new sites). These critical value-added activities have been combined with strong control over development costs.

We remain focused on improving our build programme management to capture productivity gains. Our site management teams, suppliers, site workers and sub-contractors have all worked extremely hard to deliver significant support to the progress of the business. The increase in sales reservation rates has allowed us to secure improved overhead efficiencies across the business. We have introduced greater coverage of Group house types across our development network as we have opened up our new sites. This has leveraged benefits from more efficient procurement and construction activities. As a result we have driven a further reduction in our build and direct costs of 120 basis points to 56.6% of sales (2014: 57.8% of sales).

We have continued to invest in our management teams, processes and systems to ensure sustainable growth is achieved. However, the Group's operating expense efficiency still improved slightly with the 8% increase in sales volumes reducing the average operating cost per new home sold by 1% year on year. Due to the ongoing investment we anticipate this trend of operational efficiency improvement will continue as our future growth is secured.

Cash generation, net finance income, and financial assets

A key element of our strategy is to deliver strong cash generation over the housing cycle. This will be delivered through exercising capital discipline together with maximising the cash efficiency of our operational activities. We generated £483m of free cash before capital returns during 2015, or 158 pence per share (2014: £388m, 127 pence per share) and held £570m of cash balances at 31 December 2015 (2014: £378m).

As a result of our strong cash generation the Group's committed working capital credit facilities were called upon only temporarily during the year. The average cash balance held by the Group in the first half of the year was c. £90m and c. £207m in the second half. Net finance income for the year was £3.3m (2014: £1.7m). Within this the imputed interest generated on the Group's shared equity receivables totalled £15.7m (2014: £13.7m) whilst the imputed interest payable on land creditors totalled £14.4m (2014: £5.7m).

A top priority for management is the disciplined reinvestment of free cash generated by the Group. The level of reinvestment will vary over the cycle depending upon actual and prospective conditions in the sales and land markets. During 2015 we have made further substantial investment in development work in progress to deliver the higher levels of output to support the growth in sales year on year. The expansion of our cash margins, the cash efficiency of our land replacement activity together with our superior asset turn has allowed us to invest in substantial new land holdings at a rate of c. 141% of 2015 consumption.

The land market has continued to offer attractive investment opportunities throughout 2015, a number with deferred payment terms. As a result the Group has extended its deferred land creditor obligations by £114m to £573m at the year end. This allows the continued growth of the business to be financed through the generation of cash inflows from operations before working capital requirements, which totalled £654m in 2015 (2014: £499m), without reducing cash resources available to shareholders.

The availability of the Government's Help to Buy scheme continues to prove very attractive for customers. As a result the carrying value of the Group's "Available for sale financial assets", being deferred receivables from our customers relating to shared equity loans, reduced in the year by £23m to £178m (2014: £201m). This reduction is due to good levels of redemption cash inflows. The Board has reviewed the carrying value of these receivables and has concluded that the value is appropriate.

The cash efficiency of our business processes is fundamental to the delivery of the Capital Return Plan. We believe that our operational approach will support the execution of our long term strategy. The acceleration and significant increase in the value of the Capital Return Plan announced today demonstrates this confidence. Indeed, the 30% increase in the rate of return on the capital employed* in the business – which climbed to 32.1% for the year (2014: 24.6%) – results from this focus on capital discipline and cash efficiency.

Land and construction

The carrying value of the Group's land assets at 31 December 2015 was £2,047m, £205m higher than the prior year (2014: £1,842m).

The business acquired 20,501 new plots of land during the year investing strongly to support its future development. The Group owned and controlled 93,649 plots at the end of the year providing a strong platform for growth. Investing in new land opportunities at the appropriate point in the housing market cycle at attractive values is critical in sustaining superior shareholder value creation over the longer term.

The Group's land replacement activity is focused on securing high quality returns for each of our 28 housebuilding businesses in their regional markets. Our expertise enables us to create significant value by identifying compelling acquisition opportunities both in the short term land market and for strategic land investment. This value is enhanced by our planning teams through optimising our development schemes and bringing the sites into production as quickly as possible. The quality of these investments is revealed by the strong profitability and cash generation of the business and in the quality of the landbank we hold for future development.

£483m
free cash flow***

20,501
new plots of land acquired

* 12 month rolling average and stated before goodwill impairment.

** Stated before goodwill impairment.

*** Before capital returns.

Strategic report
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54,300

plots of land with implementable planning consent

17,700

acres of strategic land

At 31 December 2015 our owned landbank with implementable detailed planning consent represented c. 3.5 years of supply at 2015 output volumes, together with under an additional year's supply of owned plots which have outline consent. This is consistent with last year. We also control c. 30,700 plots subject to conditional contracts which currently have only an outline planning consent for development but which are being promoted through the planning system to achieve a full consent. Our long term strategy remains to reduce the Group's forward supply of total plots that are owned and under control to nearer five years at optimal levels of output. The anticipated further growth of the business to optimal sustainable market share in each of our regional operations, in conjunction with maintained investment discipline, will continue to secure the required capital efficiency of our land holdings.

Continued investment in strategic land and its successful promotion through the planning system to deliver plots with detailed residential consent remains fundamental to the success of our business model. In 2015 we acquired interests in a further c. 2,100 acres of strategic land and we converted 6,739 plots of land from our strategic land portfolio, representing c. 46% of the Group's land consumption.

We are continuing to focus on securing detailed planning consent for our strategic land by proving its sustainable qualities through the normal planning application processes as quickly as possible. The consistent application of the National Planning Policy Framework following the General Election in May has ensured that the improvement in land availability should continue. This has provided confidence for the housebuilding industry to make the substantial investment in land and work in progress that is required to support an increase in output, significantly increasing the supply of new homes to communities across the UK.

The Group is progressing a large number of applications for residential land use with planning authorities across its regional businesses. We are confident that our strategic land portfolio of c. 17,700 acres will yield in excess of 100,000 forward plots for future development by the business in due course.

The carrying value of our work in progress at 31 December 2015 of £518m was £53m higher than the prior year (2014: £465m). Management continue to focus on improving build programmes to support the efficient delivery of as many new homes as possible. The Group is investing in build at a faster rate to fulfil the better sales rates achieved and was successful in carrying a larger volume of plot foundations into the new year. The industry is also working hard to improve the availability of skilled labour to support the expansion of industry volumes. The Group's work in progress investment represents 18% of 2015 sales, an industry leading asset turn. This supports superior cash generation and returns. We expect substantial additional investment will be made in work in progress. Management will strive to convert work in progress as swiftly as possible over future periods to minimise operational and financial risks.

At 31 December 2015 the Board reviewed the net realisable value of land and work in progress using consistent principles to prior years. Overall, the Board concluded that the carrying value of land and work in progress at the year end was appropriate. The balance between the firming of selling prices through the year and the mitigating cost inflation on the relevant sites resulted in a gross reversal of impairment provision no longer required on certain development sites being offset by additional requirements on others of £9.8m. At the year end the Group retained an impairment provision of £62.9m (2014: £80.4m) which is considered adequate to address the potential impact of current market uncertainties on future revenues and direct costs.

Prospect Farm, Easingwold, Yorkshire

Shareholders' equity, treasury policy and related risks

The Group's long term strategy addresses the cyclical risks of the housing market and therefore requires the disciplined application of capital over the long term. Management focus on maintaining flexibility of funding, to support investment in land and work in progress at the appropriate point in the cycle, whilst returning a substantial amount of surplus capital to shareholders. This approach will deliver and sustain greater shareholder value over the long term. We believe this strategy actively supports the development of the business over the long term whilst securing a strong financial position to minimise financial risk. Today the Board has strengthened its commitment to return surplus capital to shareholders over the ten year period to 2021 which demonstrates the focus on exercising the required capital discipline. The Board has increased the Capital Return Plan by £860m, or c. 45%, to a total of £2.76bn.

For 2015 the Group's total retained profits after tax of £521.9m were 40% higher than last year (2014: £372.0m). The Group's retained earnings were added to by an after tax remeasurement gain of £6.4m associated with the Group's pension scheme asset of £18.0m and by share based payments of £24.8m.

In line with the Group's long term strategy a third instalment under the Capital Return Plan of £291m was accelerated and paid to shareholders on 2 April 2015. Shareholders elected to receive £191m as dividends and £100m in cash-redeemed B shares on receipt of the B share/C share offer for the payment of the third instalment.

The Group's total net asset value of £2,456m (2014: £2,193m) increased by 12% or £263m for the year ended 31 December 2015. Net assets per share increased 12% over the prior year end to 800.7 pence (2014: 715.4 pence).

We will continue to focus on generating strong liquidity and will only use funding gearing to support the short term seasonal working capital needs of the business. The generation of strong annual after tax earnings, management of the Group's equity, and debt and cash management facilities, together with changes to planned shareholder capital returns will continue to provide the appropriate resources through the housing cycle for the Group to deliver its operational plans. This approach will mitigate the financial risks the Group faces which include credit risk, liquidity risk, interest rate volatility and debt capital market pricing risk.

Capital Return Plan increased by

45%

to

£2.76bn

or

£9

per share

£2,456m

net asset value

Corporate responsibility

Building a sustainable business

50%

of our new homes sold for less than £200,000

Our customers

The Group's priority is to serve our customers well by providing good quality new homes and great service. All of our team are responsible for delivering high levels of customer satisfaction.

We secure the opportunity to deliver high levels of customer satisfaction by acquiring new land in locations that will offer high amenity value to the local community. It is then our responsibility to deliver these higher levels of customer satisfaction through efficient execution of our development plans. Our rigorous approach to house type design and scheme layout ensures that we deliver environments where people want to live and work.

Our sales teams across the business are trained to provide excellent levels of service to our customers, particularly in respect of the specification of our homes and the amenity value of each of our developments. They have the knowledge to provide information and guidance on the process of buying a new home and support our customers with the practicalities of moving day, to make it as straightforward and enjoyable as possible for our customers.

We review and improve our house designs, finishes and features in response to customer feedback to ensure we continue to offer homes that our customers want to buy. We aim to provide good availability and choice of new homes on all our developments. As part of our service our customers are able to reserve their new home at an early stage in the development process so as to provide as much certainty as possible in support of their buying decision. Indeed, this helps us to offer a range of bespoke extras through our Finishing Touches range so as to deliver homes that reflect our customers' personal preferences.

All our businesses work hard to secure the affordability of our new homes for our customers by providing a comprehensive range of selling prices and by exercising strong control over the costs of development. Our site sales teams support our customers in their decision making process in identifying the right choice of new home for their family. Our average selling price in 2015 was £199,127 with over 50% of our new homes being sold for £200,000 or less. During the year 6,110 of our customers bought a new home with a Government Help to Buy shared equity loan. This scheme provides greater access to the owner occupier market by allowing our customers to buy their new home with a 5% deposit. In addition, the provision of the 20% shared equity loan by the Government enables our customers to access the most favourable mortgage interest rates from lenders.

We also continued to provide Part Exchange facilities for existing home owners to remove the worries that usually accompany the uncertainties associated with home buying chains. During 2015 14% of our customers took advantage of this opportunity to assist their move.

As a key part of the Group's drive to support the sustainability of communities we delivered 2,147 homes (2014: 2,256) to registered social landlords during the year. This low cost housing delivered by our Westbury Partnerships business represented 15% of our sales and helps support social inclusion within the local communities that we serve.

During 2015 we invested substantial resources in new customer focused initiatives to improve our customers' buying experience and our NHBC/HBF 3 star rating. We have introduced dedicated customer liaison managers on our larger sites, improved communication processes with our customers, introduced new processes to strengthen our build programmes, and provided additional resources in our customer care teams. These initiatives are showing some early signs of improvement in our customer satisfaction ratings and we will continue to pursue this agenda to secure further progress this year.

Our environment

We aim to minimise our impact on the environment. We strive to identify all major environmental risks that our business faces in both the short and long term. We design into our development processes appropriate management actions that will mitigate these risks. Addressing these issues at an early stage in our development plans ensures our environmental performance remains good and helps the Group secure more sustainable business processes.

When considering indirect impacts our focus is very much on our new homes. Improvements in design, materials and building techniques ensure that we are building sustainable homes. The average energy efficiency of our new homes as measured by the Standard Assessment Procedure (SAP) is 83, which is 40% more energy efficient than existing housing stock which has an average SAP rating of 59.

A key performance indicator which helps us monitor our operational and environmental efficiency is the amount of waste that we generate and recycle for each home we build. In 2015 the amount of waste per home built decreased by 1.5% to 6.3 tonnes (2014: 6.4 tonnes) reflecting improvements in our procurement and construction processes. We are also pleased to report that we again increased the amount of waste recycled by 2% to 92% (2014: 90%) thereby minimising the amount of waste sent to landfill.

We completed an Energy Savings Opportunity Scheme (ESOS) energy audit of our business during 2015 based on our 2014 data. We reviewed our collation and data capture procedures across the Group and with our suppliers, in particular to identify for the first time the amount of energy used in our construction activities on our development sites. We have then used DEFRA environmental reporting guidelines and emission factors from DEFRA's Greenhouse Gas Conversion Factors Repository as a methodology for calculating our emissions.

Our Scope 1 direct emissions for gas, transport and construction site fuel use in 2015 were 27,647 tonnes CO_2e (2014: 23,781 tonnes CO_2e). Our Scope 2 indirect emissions for electricity in 2015 were 3,910 tonnes CO_2e, a reduction on the previous year (2014: 4,070 tonnes CO_2e).

Our total operational carbon footprint in 2015 was 31,557 tonnes CO_2e (2014: 27,851 tonnes CO_2e), an increase of 13.3%. This increase is principally attributable to improved data capture of energy used on sites and an 18% increase in Space4 production and an 8% increase in the new homes we completed. The amount of CO_2e per home sold in 2015 was 2.17 tonnes, a 5% increase on the prior year (2014: 2.06 tonnes CO_2e).

As a result of the ESOS audit we have been able to study our energy use and formulate an action plan based on the results with a view to reducing our energy costs and minimising consumption where possible. These measures include an assessment of the cost and benefit of upgrading generators and machinery and the continued reduction in the CO_2 emissions from our motor fleet.

92%
of construction waste recycled

2.17 tonnes
CO_2 emissions per home sold

580
trainees and apprentices

Accident rate
3.6
accidents per thousand workers

Our people

Our people are key to supporting the Group's successful growth in its operations across the UK. We have a very diverse workforce reflecting the numerous different skills we require across our business to buy land, plan our developments, build quality homes and provide good service to our customers.

During the year we increased the total number of employees in our workforce to an average of 4,188, an increase of 21% year on year (2014: 3,453). In particular, we increased the number of trainees and apprentices in our business by 32% to 580 employees (2014: 439). We prioritise the health and safety of all our employees at work and we have continued to review and improve our induction and engagement processes during the year.

The success of our business relies on having a highly skilled and motivated workforce. The Group supports and trains its people appropriately to allow them to perform to their full potential. We have substantially increased our training programmes for both young and mature apprentices and trainees across all disciplines in our business, from planning and technical to construction trades. We provided over 10,210 training days to employees and our construction workforce in 2015 (2014: 7,900) an average of 2.4 days per employee (2014: 2.3).

We believe that a diverse workforce supported by a vibrant merit-based working environment is an important part of the Group's success. We have two female Non-Executive Directors on the Company's Board and 15 female colleagues in our 150 strong senior management team. Female colleagues comprise 27% of our workforce. We are keen to mentor our talented staff to realise their potential and the Group has a long established policy of promoting from within the business wherever possible.

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

Health and Safety

We continue to regard the health and safety of our employees, workforce, and customers as the top operational priority for the Group. Our Group Health and Safety department has 28 staff under the direction of our Group Health and Safety Director. The team's considerable experience enables them to help each of our operational management teams to strive to achieve high levels of health and safety performance across all aspects of our operations, especially recognising the significant increase in construction activity on our development sites.

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

During 2015 we reported 47 incidents under the Reporting of Incidents Diseases and Dangerous Occurrences Regulations (RIDDOR) to the Health and Safety Executive, a slight increase in our accident rate to 3.6 accidents per thousand workers (2014: 3.5). We did achieve a decrease in major injuries, but the slight increase overall is primarily due to an increase in slips and trips.

Our communities

A primary aim for the Group is to support local communities across the UK by not only delivering much needed new housing but also to create and improve the sustainability of the communities we serve and the environment in which they live and work. Part of the added value we deliver is bringing derelict and poor quality land back into use on behalf of local communities. The Group built 53% of our new homes on brownfield or previously used land in the year, often decontaminating polluted land and regenerating industrial sites.

We delivered £220.7m of social housing (2014: £226.4m) and contributed £46.9m of infrastructure on our developments in 2015 (2014: £48.4m) to provide the schools, new roads, open space and community facilities to support the social and environmental development of the new communities we create.

In 2015 we launched our Community Champions campaign to provide funding for the numerous small charities and voluntary organisations at the heart of the communities we serve. We have been overwhelmed with the response and have received more than 5,500 requests for assistance. Since we started the campaign, we have supported 548 different organisations across the UK and have paid total donations of over £516,000. In addition, the Company together with its employees have raised and donated a further £155,000 to good causes.

Current trading outlook

We have experienced an encouraging start to 2016. Site visitor numbers are 12% stronger than for last year. Customer confidence remains positive and mortgage lenders are supporting customers with attractive mortgage offers. Our weekly private sales rate per site is 13% ahead of last year for the opening period of the new year. The Government continues to support home buyers through the Help to Buy initiative and the prospective Starter Home initiative should assist greater numbers of first time buyers to gain access to the market later this year.

Current global economic headwinds may mean UK growth could prove to be a little more modest than initially projected but subdued inflationary pressures may result in any increase in interest rates being postponed further. We believe the change to banking regulation, and the more recent action taken by the Bank of England to ensure appropriate lending practices are maintained, will result in more sustainable markets moving forward.

With the personal finances of hard working families across the UK forecast to continue to improve we are confident that increasing numbers of home buyers will decide to purchase a new home from Persimmon, securing a high quality home in a location in which they wish to live and work. The Group will strive to increase production to fulfil this market demand.

The pick up in late autumn trading during 2015 contributed to a 12% year on year increase in current forward sales to £1.68bn (2014: £1.49bn). The Group is in a strong position should the market be subject to a period of uncertainty resulting from the EU referendum. We are pleased to have already opened 65 of the 100 new outlets planned for the first half of 2016. We are focused on trying to increase our active outlet network to approaching 400 sites by the end of 2016, up from c. 375 sites at the start of the year. Our forward order book indicates margins are set to improve further in 2016 as we open these additional new sites and we continue to strive for further operational improvements.

We intend to make significant new investment in land during 2016 to support the further growth of our regional businesses towards optimal sustainable scale. We believe our strong balance sheet and excellent free cash generation will support this land replacement activity at these robust levels, whilst also providing confidence of the delivery of the enhanced Capital Return Plan to our shareholders.

The performance of the business in 2015 was outstanding and is down to the entire Persimmon team. We are confident that this team has the skills, ambition, drive and vision to continue to deliver great outcomes for our shareholders. We would like to thank all our employees and supply chain partners for their hard work and loyalty and we remain confident of the Group's prospects.

Jeff Fairburn
Group Chief Executive

Mike Killoran
Group Finance Director

22 February 2016

£1.68bn

Forward sales at 22 February 2016 up 12%

380

Active sites

Westbury Partnerships, Lavender Copse, Basingstoke, Hampshire

Introduction to corporate governance

High standards in corporate governance

Good governance of our Company continues to be a high priority.

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

Our Executive and Non-Executive Directors regularly meet with operational management teams and staff across our 28 operating businesses, ensuring that the Board's standards and values for integrity and honesty are successfully disseminated to all employees. The Group's excellent performance during 2015 again provides assurance to shareholders that the Directors, management and staff are ensuring that the Group's strategy is implemented in accordance with the Company's governance culture for honesty, responsibility, transparency and integrity.

During the year the Nomination Committee continued its focus on succession planning for the Board and senior management. The Committee recommended the appointment of further non-executive Directors during the course of 2015, in the light of requirements to refresh Board membership, specifically for diversity and to comply with the recommendations of the Davies Report.

I am pleased to report that Rachel Kentleton joined the Board on 24 June 2015 and in addition, that Nigel Mills a Senior Advisor with Citigroup Global Markets will join the Board on 4 April 2016. Their experience and skills will be valuable assets to our business. Richard Pennycook and Mark Preston have both announced their intention to resign following the Annual General Meeting on 14 April 2016, and on behalf of the Board I thank them for their significant contributions to the Company.

Nigel Greenaway also announced that he will retire from the Board at the AGM after 30 years with the Group. Nigel has made a significant contribution to the development of our business over the years and the Board wishes him a long and happy retirement. Dave Jenkinson was promoted to Group Managing Director at the beginning of the year with further responsibilities across the Group.

It is the Group's policy to promote its executive Directors from senior management within the Group, wherever possible. Senior management succession planning within the Regional Boards ensures future suitable executive candidates are identified and have experience within the Group before promotion to the Board. The Nomination Committee will continue to review succession planning and the composition of the Board and whether to make a further non-executive appointment.

During 2015 the Board conducted an externally assisted evaluation of itself and its committees, with evaluation criteria linked to the Group's strategy, performance and governance. A number of recommendations were made to take account of changes in corporate governance best practice, including refreshing board and committee agendas and reporting. A number of the recommendations have been or will be implemented shortly where improvement can be made.

The Board held its annual strategy meeting in October and undertook a full and detailed review of its current strategy which is set out in the Strategic Report on pages 4–39. The strategy includes ensuring the Group maintains appropriate levels of resource to successfully execute Group policies in all key areas of the business, in particular with regard to strategic land, health and safety, customer care and sales and construction activities.

As a result of our significant increase in production over the last three years the Board has also committed further resources to training and recruitment. I am in particular pleased that our Combat to Construction training initiative continues to receive widespread support and will provide a good career path for ex-UK Armed Forces personnel and address the widespread industry shortage of skilled tradesmen. Overall we currently have 580 graduate/trainees and apprentices working in the Group.

Finally, I am pleased to report that the Company has complied with the UK Corporate Governance Code 2014 throughout 2015.

Nicholas Wrigley
Chairman

22 February 2016

Overview

Key sections within the governance section

LEADERSHIP AND EFFECTIVENESS

Our Board, structure and activities

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

During 2015 the Board again placed particular focus on:

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

in the light of our continued increase in production.

The Board also undertook an externally assisted evaluation of its effectiveness.

Read more about the structure, role and activities of the Board
See pages 46–47

ACCOUNTABILITY

Report from the Audit Committee

During 2015 the Audit Committee:

- recommended the appointment of a new auditor;
- undertook a detailed review of the principal risks facing the Group;
- assessed the key risks of misstatement of the Group's financial statements relating to the carrying value of both the Group's land and work in progress, including the accuracy of cost recoveries, and available for sale financial assets; and
- undertook a detailed review of compliance with the UK Corporate Governance Code 2014.

Read our Audit Committee report
See pages 49–52

REMUNERATION

Oversight of executive remuneration

The Group's strong performance has resulted in Executive Directors achieving over 97% of their bonus targets in 2015.

Directors' base salaries and fees have been increased from 1 January 2016 by 3% in line with increases given to salaried staff.

Executive Directors' bonus arrangements for 2016 are similar to the prior year, with stretching targets for further improvement in the Group's performance.

Read our remuneration report
See pages 56–71

Board of Directors

Nicholas Wrigley
Chairman (age 60)

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

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

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

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

Jeff Fairburn
Group Chief Executive (age 49)

Date of appointment 1 June 2009

Committee membership Member of the Risk Committee.

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

Skills Jeff has 31 years' experience in the construction industry, 27 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 strong leadership skills, enables him to effectively direct and manage the delivery of our strategy.

Mike Killoran ACA
Group Finance Director (age 54)

Date of appointment 4 January 1999

Committee membership Member of the Risk Committee.

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

Skills Mike has extensive financial and operational skills and over 19 years' experience and knowledge of both the industry and our business. These skills enable Mike to make a strong contribution to strategy development.

Jonathan Davie
Non-Executive Director (age 69)

Date of appointment 1 January 2010

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

Experience Jonathan Davie, a chartered accountant, is Non-Executive Chairman of First Avenue LLP and a Non-Executive Director of Hansa Trust Plc. Jonathan's previous roles include Non-Executive Chairman of IG Group Holdings Plc, Vice Chairman of Credit Suisse, CEO of BZW Global Equities and Non-Executive Director of Credit Suisse UK Private Bank.

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

Mark Preston
Non-Executive Director (age 48)

Date of appointment 9 January 2012

Committee membership Member of the Audit and Remuneration Committees.

Experience Mark Preston, a chartered surveyor, is the Group Chief Executive of Grosvenor Group Limited, an appointment he took up in 2008. He is a Non-Executive Director of Sonae Sierra SGPS. He is a Trustee of ULI and Chairman of the ULI Centre for Sustainability Advisory Board, as well as being a Trustee for the Westminster Foundation. He is a Member of the (University of) Cambridge Land Economy Advisory Board and an Honorary Vice-President of the Cambridge University Land Society.

Skills Mark's experience as Chief Executive of Grosvenor Group Limited has given him extensive knowledge of the commercial and residential property market, which enables him to add a valuable contribution to discussions regarding the Group's strategy.

Mark will be resigning from the Board at the conclusion of the Annual General Meeting on 14 April 2016.

Marion Sears
Non-Executive Director (age 53)

Date of appointment 8 January 2013

Committee membership Chairman of the Corporate Responsibility Committee and a member of the Remuneration Committee.

Experience Marion Sears is a Non-Executive Director of Dunelm Group Plc where she is the Nominations Committee Chair. She is also a Non-Executive Director of investment trusts Octopus AIM VCT Plc and Fidelity European Values Plc. Marion previously held executive positions at Glaxo, UBS, Baring Brothers and JP Morgan.

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

Nigel Greenaway
South Division Chief Executive (age 55)

Date of appointment 8 January 2013

Committee membership Member of the Risk Committee.

Experience Nigel Greenaway joined the Group in 1986. He was appointed Managing Director of the South Midlands operating business and was promoted through the Group ultimately being appointed to his current role of South Division Chief Executive in 2005.

Skills Nigel has extensive experience of the business and the housebuilding industry, having held various roles within the Group before being promoted to his current role. He was the Board Director responsible for health and safety during 2015.

Nigel will be retiring from the Board at the conclusion of the Annual General Meeting on 14 April 2016.

Dave Jenkinson
Group Managing Director (age 48)

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 as North Division Chief Executive in January 2013. He was promoted to Group Managing Director on 7 January 2016.

Skills Dave has extensive experience of the housebuilding industry. He has an in-depth knowledge of Persimmon, having worked for the Group for almost 19 years. He has particular strengths in land buying and development and is a qualified town planner.

Richard Pennycook
Senior Independent Director (age 51)

Date of appointment 14 March 2008

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

Experience A chartered accountant and graduate of Bristol University, Richard Pennycook is Chief Executive Officer of The Co-Operative Group, Non-Executive Chairman of The Hut Group and Chairman of the Audit Committee at Howden Joinery Group Plc. He was previously Group Finance Director of Wm Morrison Supermarkets Plc.

Skills Richard has extensive financial and retail skills, which enable him to inform the debate on strategy and particularly participate in evaluating the robustness of the Group's risk management.

Richard will be resigning from the Board at the conclusion of the Annual General Meeting on 14 April 2016.

Rachel Kentleton
Non-Executive Director (age 47)

Date of appointment 24 June 2015

Committee membership Member of the Audit and Risk Committees.

Experience Rachel Kentleton is Group Director, Strategy & Implementation at EasyJet with responsibility for Strategy Development, Programme and Change Management and Investor Relations. Rachel is a qualified accountant and prior to joining EasyJet 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 will be of great benefit to the implementation of the Company's strategy and the development of the business.

Nigel Mills
Non-Executive Director (age 60)

Date of appointment Nigel will be appointed on 4 April 2016

Committee membership Nigel will become a member of the Remuneration Committee on his appointment in April.

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 shareholder attitudes, corporate governance and compliance which will enable him to provide sound advice to the Board.

> Together the balance of skills, experience and personal characteristics of the Non-Executive Directors result in a diversity of views and opinions.

Nicholas Wrigley
Chairman

Corporate governance statement and Directors' Report

The Board of Directors presents its Directors' Report incorporating the Corporate Governance Statement for the year ended 31 December 2015.

Leadership and effectiveness

Board composition

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

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

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

Mike Killoran has been the Group's Finance Director for the last 17 years and he has very strong finance and housebuilding operational experience. Nigel Greenaway and Dave Jenkinson both have extensive housebuilding experience having held senior operational positions within the Group prior to their respective Board appointments.

The Non-Executive Directors have complementary skill sets bringing substantial and diverse experience to the Board. Nicholas Wrigley and Jonathan Davie both have considerable experience of financial markets. The Senior Independent Director is Richard Pennycook. He has extensive financial and retail experience gained from his current role as Group Chief Executive of The Co-operative Group and from his previous roles, including his position as Finance Director of Wm Morrison Supermarkets Plc.

Mark Preston has wide ranging experience in retail, commercial and residential property as Chief Executive of Grosvenor Group Limited. Marion Sears has extensive experience in banking and retail markets, whilst Rachel Kentleton has similarly strong experience in finance and retail travel markets in her current role as a member of EasyJet's executive board.

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

The Board has a formal schedule of matters reserved for its consideration and decision. The schedule includes the approval of the Group's strategy, major investments, annual and half year results and trading updates, review of performance, dividend and cash return policy, monitoring risk and ensuring adequate financial controls are available. The schedule is reviewed annually.

Board changes

As previously announced, Nigel Greenaway will retire from the Board after the Company's forthcoming Annual General Meeting following an almost 30 year career at Persimmon. In addition, both Richard Pennycook and Mark Preston will resign from the Board after the AGM, due to time constraints following Richard's forthcoming appointment as Chairman of Howden Joinery Plc and Mark's promotion at the Grosvenor Estate.

Jonathan Davie will become the Senior Independent Director following Richard Pennycook's departure. Rachel Kentleton will become Chair of the Audit Committee and Marion Sears will be appointed to both the Audit and Nomination Committees. Nigel Mills will join the Board as a Non-Executive Director on 4 April 2016 and will become a member of the Remuneration Committee on the same date.

Following these changes there will be eight Board members, the Chairman, three Executive Directors and four Non-Executive Directors and women will comprise 25% of Board members.

Key actions of the Board

The Board reviewed and approved the Company's current strategy and Capital Return Plan at its annual strategy meeting in October 2015. Full details of the current strategy are set out in the Strategic Report on pages 4 to 39.

The Board met on seven occasions in 2015, including its annual strategy meeting. There was full attendance by all Directors at all Board and Committee meetings during the year.

The implementation of the Board strategy and policies are delegated to Executive Directors and senior management within the Group. Particular focus during 2015 was placed on increasing staff training to drive improvements in both health and safety and customer care.

The Board also undertook a rigorous review of the Group Risk Register and the Group's systems of internal financial control. Further details of the results of which can be found on pages 51 and 52.

Board diversity and independence

The Board recognises that a diverse workforce can bring benefits to the Group and by the same measure the Directors recognise the value diversity, including gender, can bring to the Board. When considering the nomination and appointment of new Directors, the Nomination Committee evaluates candidates' skills, knowledge and experience in order that they nominate new Directors on the basis of merit and overall suitability. When considering a new appointment the Board takes into account the balance of skills, knowledge, experience and diversity of the Board. During the year the Board reviewed its diversity policy, which required no changes.

The Board considers the Non-Executive Directors Richard Pennycook, Jonathan Davie, Mark Preston, Marion Sears and Rachel Kentleton to be independent. Nigel Mills, a Senior Advisor at Citigroup Global Markets, will be joining the Board on 4 April 2016. The Board considers that he will be independent on the date of his appointment because, whilst he is employed by one of the Company's advisors, he has not worked on the Company's business in the last three years. His employer has put in place strict procedures to ensure that whilst he is a Director of the Company he has no access to Company information or analysis and does not professionally work for the Company in any capacity in the future.

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 2015.

Re-election of Directors

In accordance with the Governance Code all of the Directors will stand for re-election at the forthcoming AGM, except for Nigel Greenaway, Richard Pennycook and Mark Preston who are leaving the Company. The Board's reasons for supporting the re-election of the Chairman Nicholas Wrigley and Non-Executive Directors Jonathan Davie, Marion Sears and Rachel Kentleton are that they have individually produced excellent performance in their duties and have shown a high level of commitment to their roles.

Nigel Mills will stand for election in accordance with the Company's Articles and best practice. The Board considers his knowledge and experience as a corporate financial advisor will make him a valuable addition to the Board.

Performance evaluation and professional development

During 2015 the Board undertook an evaluation, externally assisted by Advanced Boardroom Excellence (ABE), based on the principles outlined in the Governance Code. ABE has no other connection to the Company.

ABE conducted interviews with all Directors and the Company Secretary and reviewed the past 12 months' Board and Committee meeting papers and minutes. The evaluation report made a number of recommendations to take account of changes in corporate governance best practice. The recommendations include refreshing Board and Committee agendas and reporting. A number of the recommendations have been or are being implemented where improvement can be achieved.

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

Nomination Committee

The members of the Nomination Committee are Nicholas Wrigley (Chairman), Richard Pennycook and Jonathan Davie. The Committee met twice during 2015 to review the composition of the Board and to consider both Board and senior management succession planning.

The Committee considered the criteria required for the appointment of further non-executive Directors to refresh Board membership. The criteria and requirements for an appointment were agreed by the Committee and included a requirement that one candidate had to have extensive financial experience to be able to serve on the Audit Committee.

An executive search firm the Zygos Partnership (a member of the Association of Recruitment Consultants) was appointed by the Committee 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 the Committee interviewed each of the shortlisted candidates. The Committee subsequently recommended to the Board the appointment of Rachel Kentleton who was appointed on 24 June 2015. The Committee did not use an agent or advertising to recruit Nigel Mills as he was previously known to the Directors who considered his skills would be very beneficial to the Company. The Committee recommended the appointment of Nigel Mills and on 6 January the Board approved his appointment to the Board with effect from 4 April 2016.

Rachel Kentleton has received a comprehensive induction about the Company which included extensive meetings and briefings from Executive Directors, the Group Company Secretary and Head Office functional directors, principally on strategy and finance, but including legal issues, information technology and health and safety. She also attended site visits and met divisional and regional management teams. A similar process will be carried out for Nigel Mills on his appointment.

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

When Richard Pennycook resigns following the AGM Marion Sears will take his place on the Committee.

Remuneration Committee

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

The Committee met five times during 2015 to discuss, consider and approve the Executive Directors' remuneration including the annual bonus plan for 2015, both in accordance with the remuneration policy approved by Shareholders at the AGM in April 2014.

Further details of the remuneration policy and package for each Director serving during 2015 together with the proposed implementation of the policy in 2016 are set out in the Remuneration Report on pages 62 to 71.

Audit Committee

Composition

The Audit Committee members are Richard Pennycook (Chairman), Jonathan Davie, Mark Preston and Rachel Kentleton. Richard Pennycook, as Chairman of the Committee, has recent relevant financial experience as Chief Executive of The Co-operative Group and formerly as Group Finance Director of Wm Morrison Supermarkets Plc. Mark Preston and Rachel Kentleton both have recent relevant financial experience in their current roles as Chief Executive of Grosvenor Group Limited and Group Director, Strategy and Implementation at EasyJet respectively.

The Committee met on six occasions during 2015 and all members were in attendance at each meeting. The Committee regularly meets the auditor without the presence of the Company's management. The Committee's Chairman also meets the Group Risk Manager without the Company's management being present at least twice each year.

When Richard Pennycook resigns following the AGM he will be succeeded as Committee Chairman by Rachel Kentleton and Marion Sears will join the Committee, replacing Mark Preston.

Role

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

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

2015 priorities

The Audit Committee's priorities/main activities during 2015 were:

1 To conduct a tender process for the Group's external audit.

2 The review and assessment of significant financial issues and the determination of the key risks of misstatement of the Group's financial statements relating to:

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

3 The Committee's regular review of the Group's risk register, in particular:

- monitoring the performance of the Group's health and safety strategy policy and procedures including the level of resources to increase site inspection and health and safety advisory roles, to mitigate risks associated with the Group's increase in production;
- review of the continued implementation of the upgrade to new information technology systems across the Group;
- review of recruitment and training, given the Group's increase in staffing to meet its increase in production; and
- review of the implementation of new procedures and increased resources designed to improve customer care.

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

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

Appointment of new auditor

As reported last year, the Board agreed that it would re-tender the Group audit during 2015 and requested that the Audit Committee undertake the tender process and make a recommendation to the Board. The Audit Committee agreed the audit tender process and invited tenders from four leading audit firms, KPMG, Deloitte, PwC and Ernst & Young, in accordance with a disciplined tender process designed to deliver the best objective outcome for the Company. The current auditor KPMG decided not to tender due to the overall time period in which they could continue to serve as the Company's auditor.

Tender documents received were assessed according to a scoring matrix prepared by a review team of senior management and approved by the Audit Committee. The Audit Committee selected two firms to progress to the final phase of the tender process, which involved final detailed presentations from the two candidates. After obtaining references the Audit Committee agreed on the preferred candidate and made a recommendation to the Board.

The Board agreed with the Committee's recommendation and on 10 December 2015 approved the appointment of Ernst & Young as the Company's external auditor to succeed KPMG. The Company has complied with the provisions of the Statutory Audit Services Order 2014.

KPMG will not seek re-appointment as auditor following completion of the 2015 audit and shareholders will be asked to elect Ernst & Young as auditor at the AGM on 14 April 2016. The Board wishes to express its thanks to KPMG for the professional approach with which the firm has fulfilled the external audit engagement terms as the Company's auditor over the last 20 years.

Carrying value of shared equity receivables

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

At 31 December 2015 the carrying value of these receivables was £177.9m. The Committee has reviewed the assumptions adopted by management in support of the carrying value of these receivables and concluded they are appropriate. The Committee monitors the ongoing performance of these receivables with respect to redemptions and delinquency and are satisfied that management have adopted appropriate assumptions in this regard in support of the carrying value of these assets.

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

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

The Committee monitors the effectiveness of the internal controls exercised over the key processes employed by the Group in the acquisition of new land and the investment in site development activities. The Committee receives regular reporting on management's adherence to the Group's policies and procedures in both of these critically important areas of the business. The carrying value of the Group's land totalled £2,046.7m at 31 December 2015, and the carrying value of work in progress on site totalled £517.9m.

Similarly, the Committee ensures the approach adopted by management in recovering the cost of both land and work in progress remains in line with established Group policies and procedures through regular risk monitoring reports. The Committee has again reviewed management's assessment of the net realisable value of the Group's land and work in progress held at 31 December 2015. The Committee concluded that the approach adopted by management supported the asset carrying values.

External audit

KPMG LLP is the Group's external auditor for the financial year 2015 and they produce a detailed audit plan identifying their assessment of key risks each year. The significant risks identified were in relation to the carrying value of the Group's land and work in progress including the accuracy of cost recoveries and the carrying value of the Group's shared equity receivables.

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

The Committee considered the feedback from the Audit Quality Review Team of the Financial Reporting Council following a review they undertook of the 2014 external audit. Based on that review no matters were raised that required attention.

The Committee assesses the effectiveness of the external audit process annually with the auditor and the Company's management. The Committee holds private meetings with the auditor following each Committee meeting. Matters discussed include the auditor's assessment of business risks and management activity thereon, the transparency and openness of interactions with management and confirmation that there has been no restriction in scope placed on them by management.

The Committee ensures that the auditor has exercised its professional scepticism. The Committee has reviewed and is satisfied with the performance of KPMG LLP.

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

Details of the audit fee and fees paid to KPMG LLP for non-audit services are on page 88. Non-audit fees principally relate to tax related computer software. The ratio of audit fees to non-audit fees paid to the auditor in 2015 was 10 to 1.

At the request of the Board, the Audit Committee considered whether the 2015 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.

The Board has recommended Ernst & Young be appointed as auditor (subject to shareholder approval) with effect from the AGM and if elected they will be undertaking the Company's 2016 audit. The Audit Committee will oversee the transition of auditor from KPMG to Ernst & Young.

Internal control and risk management

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

The Risk Committee has the delegated task of overseeing the Board's responsibilities with regard to risk and internal control. Specifically, this includes determining appropriate control procedures and the review of the effectiveness of internal control.

The members of the Risk Committee during 2015 were Jeff Fairburn (Chairman), Rachel Kentleton, Mike Killoran, Nigel Greenaway and Dave Jenkinson. Nigel Greenaway will retire from the Committee following the AGM on 14 April 2016. The Risk Committee is supported by the Group Risk Manager. The Risk Committee reports to the Audit Committee, which oversees the Risk Committee's activities.

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

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

The Group Risk Department has facilitated an update to the Group risk register during the year to reflect changes to the profile of risks facing the Group. The results of this process have been reported to the Risk Committee and have been used to drive a risk focused programme of work designed to improve business processes and increase internal control effectiveness to mitigate risk. The updated Group risk register has been approved by both Risk and Audit Committees. The principal risks faced by the Group set out on page 24 have been reviewed to reflect the changes in the Group's risk profile, overall the risks faced by the Group have remained the same as the prior year.

The Risk Committee met six times during 2015, ensuring there has been an ongoing robust process for the identification, evaluation and management of the significant risks that are faced by the Group. The key features of reviewing the effectiveness of the system of internal control include the following:

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

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

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

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

On completion of these processes the Risk Committee formally considered the annual review of the effectiveness of the Group's system of internal control. This review covers all material controls including financial, operational and compliance controls, as well as the Group's risk management system. There were no material matters identified from the review. The review for 2015 has been completed and approved by the Risk and Audit Committees and the Board. A detailed Group Risk Department programme of work for 2016 has also been approved by the Risk and Audit Committees.

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

Terms of reference

Terms of reference for the Board Committees are available on the Company's website www.corporate.persimmonhomes.com or from the Group 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 joint brokers Merrill Lynch and Citigroup, together with the financial PR consultants, Citigate Dewe Rogerson. They hold scheduled meetings with major Shareholders regularly. Jonathan Davie has responsibility for consulting with Shareholders and institutions on matters relating to remuneration policy.

The Chairman and Senior Independent Director are available for consultation with major Shareholders. 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 Executive Directors report to the Board as a whole 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 year financial results. The Company provides Shareholders with access to detailed presentations of results at its analyst presentations. A live webcast of the event is available to the market, a recording of which can be viewed on the Company's website for a period of one year after the event.

Significant shareholdings

As at 31 December 2015 and as at 22 February 2016, the Company had been notified under the Financial Conduct Authority's Disclosure and Transparency Rule 5 of the following interests in the voting rights of the Company:

	As at 31 December 2015		As at 22 February 2016		
Name	Number of voting rights[1]	% of total voting rights	Number of voting rights[1]	% of total voting rights	Nature of holding
BlackRock Inc	15,352,240	5.00	16,718,253	5.43	Indirect
AXA S.A.	14,923,488	4.97	14,923,488	4.97	Direct and indirect

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

The UK Corporate Governance Code 2014

This Corporate Governance Statement, together with the Directors' Remuneration Report on pages 56 to 71, provides a description of how the main principles of the Governance Code have been applied within the Company during 2015.

The Company complied with the Governance Code throughout 2015 and continues to review its governance procedures to maintain proper control and accountability. The Governance Code is available from the Financial Reporting Council, telephone 0207 492 2300 or online at www.frc.org.uk.

Directors' Report other disclosures

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

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

The subsidiary undertakings which principally affect the profits and assets of the Group are listed in note 31 to the Financial Statements. A complete list of the Company's subsidiaries and residents management companies under its control are contained on pages 114 to 121.

Strategic Report

The management report for the purposes of DTR 4.1.8.R is included in the Strategic Report on pages 4 to 39. A description of the Group's future prospects, research and development, the principal risks and uncertainties facing the business and details of the Group's use of financial instruments are contained within the Strategic Report. Details of the financial risk management objectives and policies of the Group and associated risk exposure are given in note 21 of the Financial Statements.

Results and return of cash

The Group's revenue for 2015 was £2,901.7m and its consolidated profit before taxation was £629.5m.

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

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

As set out in the Chairman's Statement an interim dividend of 110 pence per ordinary share will be paid on 1 April 2016 to shareholders on the register at 6 pm on 4 March 2016 under the Company's Capital Return Plan. The total return for the year will be 110 pence per share (2015: return of cash of 95 pence per share) and there will be no final dividend paid for the year ended 31 December 2015.

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 44 and 45. Details of the Executive Directors' service contracts are given in the Remuneration Report on page 66. All of the Directors served for the whole of the year, with the exception of Rachel Kentleton who was appointed on 24 June 2015.

The beneficial and non-beneficial interests of the Directors and their connected persons in the shares of the Company at 31 December 2015 and as at the date of this report are disclosed in the Remuneration Report on page 68. Details of the interests of the Executive Directors in share options and awards of shares can be found on page 67 within the same report.

Appointment and replacement of Directors

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

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

Powers of the Directors

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

Capital structure

The following description summarises certain provisions of the Articles (adopted by special resolution passed on 19 March 2015) and the Companies Act 2006. This is only a summary and the relevant provisions of the Companies Act 2006 and Articles should be consulted if further information is required. A copy of the Articles may be obtained by writing to the Group 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 2015 238,394 ordinary shares were issued with a nominal value of £23,839.40 to employees exercising share options for cash consideration of £1,148,141.59. At 22 February 2016 the issued share capital of the Company was 307,585,962 ordinary shares with a nominal value of £30,758,596.20. Further details are provided in note 23 to the Financial Statements.

In accordance with the resolution to return 95 pence of cash to Shareholders passed at the General Meeting on 19 March 2015, the Company issued 105,066,803 B shares and 201,458,692 C shares on 30 March 2015. The B shares were redeemed in their entirety for 95 pence each on 2 April 2015 and immediately cancelled. The C share dividend of 95 pence per share was paid on 2 April 2015 and the C shares reclassified as deferred shares and subsequently all purchased by the Company for a nominal sum of one penny. The deferred shares were subsequently cancelled on 14 April 2015. As a result, the Company no longer has any B or C shares in issue.

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 16 April 2015 Shareholders gave Directors authority to issue up to one third of the issued share capital of the Company being an aggregate nominal amount of £10,217,375 and to disapply pre-emption rights on the issues of shares up to 5% of the issued share capital, being an aggregate nominal amount of £1,532,606. These authorities will expire at the conclusion of the AGM on 14 April 2016. Resolutions to renew these authorities will be put to Shareholders at the forthcoming AGM.

Votes of members

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

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

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

Transfer of shares

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

Qualifying third-party indemnity provisions and qualifying pension scheme indemnity provisions

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

Change of control provisions

One significant agreement contains provisions entitling counterparties to exercise termination or other rights in the event of a change of control of the Company. Under the £300m credit facility dated 1 April 2011 (as amended and re-stated on 31 March 2014) disclosed in note 21 of the Financial Statements, all amounts become due and payable under the terms of the facility if any person or group of persons acting in concert gains control of the Company.

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

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

Emissions

The Company's greenhouse gas emissions are set out in the Strategic Report on page 37.

Employee involvement

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

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

Equal opportunities

The Group policy is to have equal opportunities for training, career development and promotion for all employees without discrimination and 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 16 April 2015 Shareholders granted the Company authority to purchase up to an aggregate of 30,652,125 of its own shares. No shares have been purchased to date under this authority and therefore at 31 December 2015 the authority remained outstanding. This authority expires on 14 April 2016 and a resolution to renew the authority will be put to Shareholders at the forthcoming AGM.

At 31 December 2015 the Company held no shares in treasury.

Annual General Meeting

The AGM will commence at 12 noon on Thursday 14 April 2016 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 pages 50 to 52.

By order of the Board

Neil Francis
Group Company Secretary
22 February 2016

Persimmon Plc
Company registration number 1818486

Remuneration Committee Chairman's Statement

The Group delivered a strong performance again in 2015

I am pleased to introduce the Remuneration Report for 2015, which includes this statement, a summary of the approved Directors' Remuneration Policy and the Annual Report on Remuneration for the year ended 31 December 2015. A resolution to approve the Annual Report on Remuneration will be put to shareholders at the forthcoming Annual General Meeting.

During the year, the Remuneration Committee (the 'Committee') undertook its regular annual review of the Executive Directors' base salaries, finalised the performance conditions and targets for annual bonuses for 2015 and undertook the annual review of the Chairman's fees. In addition we reviewed the remuneration package for Dave Jenkinson on his promotion to Group Managing Director and reviewed the Executive Directors' pension salary supplements.

2015 remuneration outcomes

The Group delivered a strong performance again in 2015 and the business continues to grow and meet its strategic objectives.

In line with the policy approved by shareholders, the Committee set the Executive Directors' 2015 annual bonus targets primarily on stretching financial metrics linked to our strategic objectives. The Committee again agreed that the financial measures should be profit before tax and cash generation targets up to 50% and 40% of bonus potential, respectively. These are closely linked to the Company's strategic aims of growing the business at an optimal scale and optimising shareholder returns and value over the longer term.

The Committee also included a bonus target and condition relating to two of the Group's non-financial key performance indicators. Up to 10% of bonus potential could be earned on customer care measures. Health and safety performance could act as a downward modifier of up to 10% of any bonus earned.

Full details of the performance conditions are set out on pages 62 and 63.

The Company's excellent performance in 2015 has resulted in Executive Directors' annual bonus payments for 2015 at 97% of the maximum potential. Profit before tax increased by 34%* in 2015 and free cash generation before capital returns by 24%. In addition, the Group performed well on its internal customer care measures. Bonuses will be paid in cash up to the value of base salary with the remainder deferred for up to two years and paid in Bonus Share Scheme awards.

The Committee has previously awarded options under the Persimmon Plc 2012 Long Term Incentive Plan (2012 LTIP) with a 10-year performance condition based on the Company's Capital Return Plan to return £1.9bn of surplus capital to shareholders by December 2021, which was the market capitalisation of the Company when the plan was announced in 2012. I am pleased to report that the first stage of the performance condition has been achieved, which was the return of at least £1.70 per share to shareholders by 31 December 2015. The Group had returned £2.40 per share to shareholders by this date. Although the first stage of the performance condition has been met, no portion of the awards will ordinarily vest until 31 December 2017, at which date up to 40% may vest. The remainder will vest on completion of the original Capital Return Plan payment of £6.20 per share. The Directors will be required to retain half of the shares received (after sales to pay tax) for a minimum of one year.

2016 remuneration

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

Performance conditions for the 2016 annual bonus will be unchanged from the previous year and will be primarily linked to profit and cash generation targets, with two non-financial metrics. Again, 10% of the annual bonus will depend on customer care performance and the Committee will also have the discretion to reduce the total bonus by up to 10% if health and safety performance is not maintained at a high level. These are important factors in ensuring overall business performance, sustainability and reputation.

The Committee has agreed that annual salaries for Executive Directors will increase in line with those received by the Group's salaried employees, with the exception of Dave Jenkinson, who has been promoted to Group Managing Director.

The Committee has reviewed Dave Jenkinson's remuneration and agreed that his base salary should be increased to £500,000, taking into consideration his additional responsibilities of overseeing all of the Group's operating businesses.

In addition, we have decided that he should receive an additional award under the 2012 LTIP of 745,800 shares. The award will have an initial exercise price equal to the market value at the date of the award. This will bring Dave's outstanding awards under the 2012 LTIP in line with that approved by shareholders for the Group Managing Director.

When reviewing the remuneration package payable to Dave Jenkinson on his promotion, it became apparent that the pension salary supplement payable to Dave Jenkinson in his new position and to Jeff Fairburn, Group Chief Executive was no longer reasonable or competitive. As a result, we have decided to increase the pension salary supplement payable to Jeff Fairburn and Dave Jenkinson to 24% of their base salary from 1 January 2016.

The Committee would welcome your support for the resolution for the Annual Report on Remuneration to be tabled at the forthcoming AGM.

Jonathan Davie
Chairman Remuneration Committee

22 February 2016

EXCELLENT GROUP PERFORMANCE IN 2015

£637.8m*
Profit before tax in 2015

+34%*
Increase in profit before tax in 2015

24%
Increase in free cash generation before capital returns in 2015

£733m
Capital Return Plan Payments to December 2015

+106%
Capital Return Plan Payments ahead by 180p per share compared to original plan including 1 April 2016 payment

* *Stated before goodwill impairment.*

Summary of Directors' remuneration policy

The Group's remuneration policy was approved by shareholders at the AGM held on 16 April 2014, and took effect from that date. 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 corporate.persimmonhomes.com/investors in the 2013 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 in the annual bonus and long term incentive plan awards provides a good link to the Company's business strategy and continues to make the Company successful on a sustainable basis.

Summary of 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.	Salaries are paid by 12 equal monthly instalments. They are reviewed annually with any increases normally taking effect from 1 January. When reviewing salaries, consideration is given to current market conditions; any increases awarded to staff in the business generally and any change in a Director's role and experience. Where an Executive Director is to be promoted or where their role is to be expanded or changed, the Committee will review the salary payable and decide whether an increase/decrease is appropriate, in order that base salaries remain appropriate.	The Committee does not consider it appropriate to set maximum salary levels. Any future increases will generally be in line with inflation and with increases applied to Group monthly paid employees, unless there is a change in responsibilities. The Committee will retain discretion to increase base salaries above the framework set out above for any 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. Current salary levels are set out in the Annual report on remuneration.	None

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.	Any annual bonuses earned are paid in cash up to 100% of base salary. To further link the Executive Director's pay to the interests of shareholders, any bonus earned in excess of 100% of base salary is made through awards under the Company's Bonus Share Scheme. Any Bonus Share awards are made at the same time as cash bonuses are paid. 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 provisions. Bonus Share Scheme awards vest and become exercisable in two equal tranches, on the announcement of the Company's final results one year and two years after the date of the award. A dividend equivalent is payable on Bonus Share Scheme awards that vest based on dividends and returns of cash to shareholders with record dates occurring between the date of grant and the date of vesting. A clawback arrangement allows for the Company to recover 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.	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.	Annual bonus performance conditions are set annually by the Committee to ensure that they take into consideration the Company's strategy and the outlook for the Company over the medium term and are appropriate from a risk perspective. Financial metrics such as profit and cash generation will have the majority weighting. Non-financial metrics such as customer care and health and safety, where applied, will have a minority weighting.

Long Term Incentive Plan awards

Purpose	How it operates	Maximum payable	Performance framework
The Committee considers that it is appropriate for a significant component of an Executive Director's remuneration to be share-based with long term performance conditions closely linked to the Company's long term strategy. This aligns the interests of the Executive Directors with the Company's long term financial performance and with the interests of shareholders.	Awards made under the Persimmon Plc 2012 Long Term Incentive Plan (the '2012 LTIP') have a 10-year performance condition directly linked to the Capital Return Plan. The plan was designed to provide participants with an initial award, granted in the first year of the performance period, with additional awards only granted for circumstances such as promotions or increased responsibilities. Awards will be granted with an initial option price equal to the market value of a share, or £6.20 if higher. Subject to performance, up to 40% of options may be exercisable at 31 December 2017. The balance of options may be exercisable on the earlier of 31 December 2021 and the date the performance condition is achieved in full. After sales to meet tax, no more than 50% of shares received upon exercise of an option may be sold within 12 months of the date of exercise. The Committee may waive this condition for good leavers and in exceptional circumstances. A clawback arrangement under the Company's long term incentive plans allows the Company to recover share awards which have vested as a result of an error or misstatement, or if a Director is guilty of gross misconduct which substantially affects the Company's financial performance or reputation.	The maximum number of shares that can be awarded under the 2012 LTIP is: Chief Executive: 4,832,000 Finance Director: 3,382,400 Group Managing Director: 2,416,000 Non-Board level: 1,540,200 The overall aggregate plan limit is 30.2 million shares (10% of the then issued share capital). 2012 LTIP awards are larger than previous awards due to the 10-year performance period.	Options granted under the 2012 LTIP have a performance condition directly linked to the return of £1.9bn (£6.20 per share) to shareholders over the 10-year Capital Return Plan period and a vesting period over the same timescale. The initial exercise price will reduce by the value of cash returns to shareholders during the period from date of grant to the earlier of 31 December 2021 or the date of exercise of an option. There is an underpin requirement in the 2012 LTIP being that the cash returns paid by the Company are financed out of retained earnings and the Company has an ungeared balance sheet at the relevant performance measurement date. For achieving the minimum performance target, 27% of the options will vest.

Purpose	How it operates	Maximum holding	Performance framework
Pension/Salary supplement			
Market competitive pension/salary supplements are offered to attract and retain Directors with the skills necessary to lead the business and successfully implement the Company's strategy.	Base salary is the only component of remuneration which is pensionable. The Company operates a defined benefit (DB) pension scheme, which is closed to new members and a defined contribution (DC) scheme. Accrual in the DB scheme is based on a career average revalued earnings (CARE) basis for all active members and normal retirement age for Directors is 60 or 65, dependent on date of appointment to the Board. If a Director opts out of future pension accrual, a salary supplement is payable.	Pension accrual in the DB scheme is on a CARE basis at one-sixtieth of Pensionable Salary per year. The Company will match a Director's contributions into the DC scheme up to a maximum of 9% of base salary. The Committee retains the discretion to amend the contribution level should market conditions change. The maximum salary supplement in lieu of pension is between 9% and 30% of base salary, dependent upon the level of pension benefits given up.	None
Benefits			
Market competitive benefits are offered to attract and retain Directors with the skills necessary to lead the business and successfully implement the Company's strategy.	The benefits include: fully financed cars or cash car allowance, Group Medical Scheme membership, life assurance, income protection scheme membership, professional subscriptions and some telephone costs. The Committee does not currently expect to change the benefits offered to Executive Directors but retains the discretion to add to or remove some of the benefits available if market conditions change. It would also consider relocation benefits where appropriate.	The Committee has not set a maximum for benefits. Benefit costs will remain a small component of total remuneration.	None
HMRC approved all-employee scheme			
HMRC approved 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.	Maximum is subject to HMRC approved limits.	None
Share ownership guidelines			
To align the interests of the Executive Directors with those of shareholders.	Executive Directors are required to retain the net of tax vested shares under all of the Company's share schemes until the guideline is met.	200% of base salary.	None

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 improve margins and return cash to shareholders.
Customer satisfaction and health and safety	These are important factors in ensuring overall business performance, sustainability and reputation. 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.

2012 LTIP conditions	Rationale for selection and how performance targets are set
Cash returns to shareholders	Directly aligned to the Company's Capital Return Plan to return £1.9bn, equivalent to £6.20 per share to shareholders over the period 2012 to 2021 (being the Company's market capitalisation at the date of announcement). Future awards will be granted with an initial option price equal to the market value of a share, or £6.20 if higher.

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.

Legacy arrangements

For avoidance of doubt, in approving this Directors' Remuneration Policy, the authority is given to the Company to honour any previously disclosed commitments entered into with current or former Directors (such as the payment of pensions or the vesting/exercise of past share awards).

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 and/or the Group Chief Executive.

Chairman

Fee

Purpose	How it operates	Maximum payable	Performance framework
Market competitive fees are paid to attract a Chairman with the skills necessary to lead the Board and ensure it is effective in setting the right strategy for the business and for its successful implementation.	The Chairman's fees are set by the Committee. The Chairman's initial fee was set at a market competitive level, commensurate with the size and complexity of our business. Fees are reviewed annually with any increases normally taking effect from 1 January. When reviewing the Chairman's fees, consideration is given to current market conditions, the size of the business and any increases awarded to staff in the business generally.	The Chairman's fees will be increased in line with inflation and with increases applied to Group monthly paid employees unless there is an exceptional reason for a larger increase. The Chairman does not receive bonus, pension or salary supplement payments or share scheme awards but may receive other benefits.	N/A

Non-Executive Directors

Fees

Purpose	How it operates	Maximum payable	Performance framework
Market competitive fees are paid to attract Non-Executive Directors with a broad range of skills and experience to complement the Board. Non-Executive Directors with diverse skills and strategy will assist the Board when setting the Company's strategy and overseeing its successful implementation.	Fees are determined by the Board as a whole. They are set at market competitive levels, commensurate with their duties and responsibilities for a company of our size and complexity. Fees are reviewed annually with any increases normally taking effect from 1 January. When reviewing the Non-Executive Directors' fees consideration is given to current market conditions, the size of the business and any increases awarded to staff in the business generally.	The Non-Executive Directors' fees will be increased in line with inflation and increases applied to Group monthly paid employees unless there is an exceptional reason for a larger increase. Additional fees are payable to Non-Executive Directors for extra responsibilities, such as chairing a Board committee. Non-Executive Directors do not receive bonus, pension or salary supplement payments, share scheme awards or other benefits.	N/A

Annual report on remuneration

The Remuneration Committee's Annual Report on Remuneration for the year ended 31 December 2015 is set out below, including remuneration for 2015 and the proposed implementation of the approved Remuneration Policy for 2016.

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

Single total figure of remuneration for the year ended 31 December 2015

	Salaries and fees 2015 £	Salaries and fees 2014 £	**Benefits 2015 £**	Benefits 2014 £	**Annual bonus 2015 £**	Annual bonus 2014 £	**Value of LTIP awards vesting 2015 £**	Value of LTIP awards vesting 2014 £	**Value of pension benefits earned/ salary supple-ment 2015 £**	Value of pension benefits earned/ salary supplement 2014 £	**Value of SAYE options maturing 2015 £**	Value of SAYE options maturing 2014 £	**2015 Total £**	2014 Total £
Chairman														
N H T Wrigley	**201,600**	195,700	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**201,600**	195,700
Executive														
J Fairburn^	**623,216**	605,094	**37,583**	34,425	**1,238,778**	1,131,762	**–**	–	**95,636**	90,673	**–**	28,964	**1,995,213**	1,890,918
M H Killoran	**482,400**	468,390	**45,177**	47,064	**704,147**	641,226	**–**	–	**144,720**	140,517	**–**	28,964	**1,376,444**	1,326,161
N P Greenaway	**339,500**	329,600	**41,303**	39,811	**495,560**	451,222	**–**	–	**30,555**	29,664	**–**	–	**906,918**	850,297
D Jenkinson^	**326,216**	316,694	**31,262**	28,264	**495,560**	451,222	**–**	–	**68,906**	64,307	**–**	11,586	**921,944**	872,073
Non-Executive														
R J Pennycook	**66,200**	64,270	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**66,200**	64,270
J Davie	**66,200**	64,270	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**66,200**	64,270
M Preston*	**56,200**	54,590	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**56,200**	54,590
M Sears	**66,200**	64,270	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**66,200**	64,270
R Kentleton≠	**29,181**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**29,181**	–
Totals	**2,256,913**	2,162,878	**155,325**	149,564	**2,934,045**	2,675,432	**–**	–	**339,817**	325,161	**–**	69,514	**5,686,100**	5,382,549

≠ *2015 figures are from 24 June 2015 for Rachel Kentleton.*

* *Mark Preston's fees are paid in full to his employing company, Grosvenor Estate Holdings.*

^ *There is a salary sacrifice arrangement in place for the Company's defined benefit pension scheme. As a result the actual salary paid to an Executive Director while accruing service in this scheme was reduced by 9% of pensionable salary, which would have been the member rate of contribution to the scheme.*

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

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

Benefits

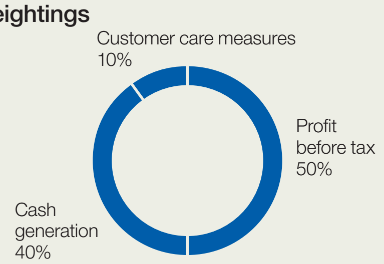
Benefits include fully financed cars or cash car allowance, private medical scheme membership, life assurance benefits, income protection scheme membership, professional subscriptions and some telephone costs.

Annual bonus 2015

The performance condition for Executive Directors' 2015 annual bonus was made up of two financial metrics, being profit and cash generation measures (up to 50% and 40% of maximum bonus potential, respectively), and also included two non-financial metrics, being a customer care measure (up to 10% of maximum bonus) and a health and safety measure (which could act as a downward modifier of up to 10% of bonus).

The profit performance condition for 2015 annual bonuses was the achievement of Group profit before tax (before exceptionals and goodwill impairment) for the year (the 'profit measure'). The cash generation performance condition was the Group net cash inflow before Capital Return Plan payments for the year (the 'cash generation measure').

Annual bonus performance condition weightings



In addition, a health and safety condition could reduce bonuses by up to 10%.

The customer care condition was split into three equal measures. One third of the measure was to achieve a minimum percentage of customers who would recommend Persimmon, as measured by the results of the NHBC's Customer Satisfaction Survey question, 'Would you recommend Persimmon to a friend?', as published by the NHBC. This survey is an independent measure of customer satisfaction for houses legally completed from October 2014 to September 2015, measured from survey responses up to 11 February 2016. The second measure was based on achievement of 'Group Customer Journey Performance' documents issued on time, as measured through the Persimmon Group reporting process. The final measure was meeting the Group Build Completion Programme target, as set out by the Persimmon Group reporting process. However, if the Group was rated as a two star builder with a score of less than 70% as measured by the NHBC Customer Satisfaction Survey as at 11 February 2016, then there would be no customer care bonus element payable, even if some of the other targets were met.

The health and safety performance condition could reduce the total annual bonus payments (if any) to the Executive Directors by up to 10% if in the view of the Committee, the health and safety management and/or performance of the Group is below the standard expected of a reputable market-leading housebuilder. The Committee reviewed the Group's health and safety performance and agreed not to reduce the Executive Directors' annual bonuses for 2015.

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 two times base salary for the Group Chief Executive and one and a half times base salary for the other Executive Directors.

	Target range for 2015 annual bonus			**Actual achieved**	**Actual percentage of maximum bonus payable**
2015 Annual bonus condition	**Threshold**	**Target**	**Maximum**		
Profit measure	£525m	£550m	£575m	**£637.8m**	**50.00%**
Percentage of maximum potential bonus payable	3.33%	33.33%	50.00%		
Cash generation measure	£1,005m	£1,030m	£1,055m	**£1,092m**	**40.00%**
Percentage of maximum potential bonus payable	3.33%	26.66%	40.00%		
Customer care measure – NHBC Customer Satisfaction Survey – percentage that would recommend Persimmon	70%	80%	85%	**73.5%**	**1.00%**
Percentage of maximum potential bonus payable	0.34%	2.22%	3.34%		
Customer care measure – Group Customer Journey Performance – percentage of documents issued on time	85%	90%	95%	**93.4%**	**2.98%**
Percentage of maximum potential bonus payable	0.33%	2.22%	3.33%		
Customer care measure – Achieve Build Completion Programme within target	65%	70%	75%	**75.2%**	**3.33%**
Percentage of maximum potential bonus payable	0.33%	2.22%	3.33%		
Customer care modifier – If the Group is rated by the NHBC/HBF as a 2* star builder	No bonus payable for customer care measures			**3***	**n/a**
Health and safety modifier – If our safety record is not at the standard expected	Bonus could be reduced by up to 10%			**Standards met**	**n/a**
Total bonus payable					97.31%

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

Executive Director	Value of total bonus payable £	Amount paid in cash		Amount deferred and paid in bonus share scheme awards		Bonus shares awarded
		Value £	Percentage of overall bonus	Value £	Percentage of overall bonus	
J Fairburn	**1,238,778**	636,500	51.4%	602,278	48.6%	30,713
M H Killoran	**704,147**	482,400	68.5%	221,747	31.5%	11,308
N P Greenaway	**495,560**	339,500	68.5%	156,060	31.5%	7,958
D Jenkinson	**495,560**	339,500	68.5%	156,060	31.5%	7,958

The bonus share awards earned under the annual bonus arrangements for 2015 were calculated at the average share price of 1961.0p over the period from 1 January 2016 to 12 February 2016, inclusive. These awards will ordinarily vest half on the announcement of the annual results in 2017 and half on the announcement of the annual results in 2018. Vesting of Bonus Share Scheme awards is not subject to further performance conditions, other than the Director must remain employed at the date of exercise (subject to standard good leaver provisions).

Long Term Incentive Plan awards vesting in 2015

Executive Directors have outstanding awards under the 2012 LTIP, which have a 10-year performance period due to end in 2021. The first target has been achieved, which is to return £1.70 per share to shareholders by 31 December 2015, but no shares have yet vested. Further details of the 2012 LTIP are set out on pages 65 and 66.

SAYE

The SAYE Scheme is an all-employee HMRC approved savings-related share option scheme and no performance conditions are attached to SAYE options. None of the Executive Directors' SAYE options matured in 2015.

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 £	Salary supplement £	**Total £**
J Fairburn	51,635	44,001	**95,636**
M H Killoran	n/a	144,720	**144,720**
N P Greenaway	n/a	30,555	**30,555**
D Jenkinson	51,635	17,271	**68,906**

Jeff Fairburn and Dave Jenkinson each earn pension in the Company's defined benefit scheme on a career average revalued earnings basis and on a scheme capped salary (currently £149,400). The cap increases on 1 July each year in line with increases in the Retail Price Index. Their scheme retirement age is 65 and their accrual rate is sixtieths. As Jeff Fairburn and Dave Jenkinson's pensionable salaries in the defined benefit scheme are capped, they do not earn pension on their total base salary. They were paid a salary supplement of 9% of the difference between their pensionable salary and their base salary in 2015.

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

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

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

	Accrued pension as at 31 December 2015 £	Accrued pension as at 31 December 2014 £	Increase in accrued pension £	Increase in accrued pension during the year (net of inflation) £
J Fairburn	**53,804**	50,614	3,190	2,582
D Jenkinson	**42,475**	39,420	3,055	2,582

LTIP awards granted in 2015

As described in the Annual Report on Remuneration last year, when Jeff Fairburn was appointed Group Chief Executive the Committee deliberately granted him a lower award of shares under the Long Term Incentive Plan 2012 (2012 LTIP) than that of his predecessor, pending their assessment of his performance. The Committee agreed that Jeff's excellent performance and strong leadership since his promotion merited an additional award of an option under the 2012 LTIP. Jeff was therefore granted the following option in 2015, to bring his total award to the maximum approved by shareholders for the Group Chief Executive.

Name	Type of interest awarded	Basis on which award was made	Number of ordinary shares	Initial option exercise price	Fair value* at date of the award	Fair value per year to date of full vesting	Regulatory value^ of the Award	Percentage receivable if minimum performance achieved	Performance period end date
Jeff Fairburn	Market price share option	Specified number of shares on the basis of performance since being appointed Group Chief Executive	241,600	£16.84	£819,024	£117,003	£4,247,328	27%	31 December 2021

* *The fair value of the award is considered by the Committee to be £3.39 per share. This is the independent calculation of the fair value of the awards for such transactions in the Statement of Comprehensive Income and has been prepared using the Black Scholes option pricing model. The awards were granted with an option price at full market value and the value will be dependent upon the performance condition being met.*

^ *The regulatory value is required to be included using a strict calculation which is inappropriate for this award. It should be noted that the regulatory value has been calculated using the share price on the date of grant, it takes no account of the fact the award was a market value option and makes no allowance for the exercise price that will be payable by the Director. The date of grant was 26 February 2015 and the share price on that date was £17.58, however, in accordance with the rules of the 2012 LTIP the market value for setting the initial option exercise price was the mid market price of a share on the day prior to the date of grant.*

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

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

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

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

In considering the extent to which the performance condition has been satisfied, no options shall vest and become exercisable unless, in the opinion of the Committee, acting fairly and reasonably, the cash returns paid by the Company are financed out of retained earnings and the Company has an ungeared balance sheet at the relevant Measurement Date, except to take account of events and/or circumstances which the Committee fairly and reasonably determines are appropriate (the 'Underpin'). If the cash return of £1.70 had not been met by 31 December 2015, the 2012 LTIP would have expired on 31 December 2015 and all options would have lapsed in full on that date.

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

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

Payments for loss of office

There were no payments for loss of office in 2015.

Payments to past Directors

There were no payments to past Directors for the year ended 31 December 2015 where the total payment to the former Director exceeded a threshold set by the Company of £60,000.

Service contracts

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

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

Directors' share option scheme interests

	Scheme	Total interests outstanding at 31 December 2014	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 2015**	Options vested but unexercised	Exercisable from
J Fairburn	2012 LTIP	2,416,000	–	–	–	620p	–	2,416,000	**2,416,000**	–	40% Jan 18 100% Jan 22
	2012 LTIP	2,174,400	–	–	–	1109p	–	2,174,400	**2,174,400**	–	40% Jan 18 100% Jan 22
	2012 LTIP	–	241,600	–	–	1684p	–	241,600	**241,600**	–	40% Jan 18 100% Jan 22
	Bonus share scheme	10,510	–	10,510	–	1130p	–	–	**–**	–	Feb 15
	Bonus share scheme	20,989	–	10,494	–	1364p	10,495	–	**10,495**	–	50% Feb 15 50% Feb 16
	Bonus share scheme	–	33,088	–	–	1667p	33,088	–	**33,088**	–	50% Feb 16 50% Feb 17
	SAYE	1,666	–	–	–	1080p	1,666	–	**1,666**	–	Dec 17
Total		4,623,565	274,688	21,004	–		45,249	4,832,000	**4,877,249**	Nil	
M H Killoran	2012 LTIP	3,382,400	–	–	–	620p	–	3,382,400	**3,382,400**	–	40% Jan 18 100% Jan 22
	Bonus share scheme	12,890	–	12,890	–	1130p	–	–	**–**	–	Feb 15
	Bonus share scheme	17,198	–	8,599	–	1364p	8,599	–	**8,599**	–	50% Feb 15 50% Feb 16
	Bonus share scheme	–	11,131	–	–	1667p	11,131	–	**11,131**	–	50% Feb 16 50% Feb 17
	SAYE	1,666	–	–	–	1080p	1,666	–	**1,666**	–	Dec 17
Total		3,414,154	11,131	21,489	–		21,396	3,382,400	**3,403,796**	Nil	
N P Greenaway	2012 LTIP	1,540,200	–	–	–	620p	–	1,540,200	**1,540,200**	–	40% Jan 18 100% Jan 22
	2012 LTIP	130,000	–	–	–	1109p	–	130,000	**130,000**	–	40% Jan 18 100% Jan 22
	Bonus share scheme	12,102	–	6,051	–	1364p	6,051	–	**6,051**	–	50% Feb 15 50% Feb 16
	Bonus share scheme	–	7,833	–	–	1667p	7,833	–	**7,833**	–	50% Feb 16 50% Feb 17
	SAYE	1,012	–	–	–	889p	1,012	–	**1,012**	–	Dec 16
	SAYE	833	–	–	–	1080p	833	–	**833**	–	Dec 17
Total		1,684,147	7,833	6,051	–		15,729	1,670,200	**1,685,929**	Nil	
D Jenkinson	2012 LTIP	1,209,677	–	–	–	620p	–	1,209,677	**1,209,677**	–	40% Jan 18 100% Jan 22
	2012 LTIP	460,523	–	–	–	1135.5p	–	460,523	**460,523**	–	40% Jan 18 100% Jan 22
	Bonus share scheme	439	–	219	–	1364p	220	–	**220**	–	50% Feb 15 50% Feb 16
	Bonus share scheme	–	7,833	–	–	1667p	7,833	–	**7,833**	–	50% Feb 16 50% Feb 17
	SAYE	986	–	986	–	365p	–	–	**–**	–	Dec 14
	SAYE	1,666	–	–	–	1080p	1,666	–	**1,666**	–	Dec 17
Total		1,673,291	7,833	1,205	Nil		9,719	1,670,200	**1,679,919**	Nil	
Grand total		11,395,157	301,485	49,749	Nil		92,093	11,554,800	**11,646,893**	Nil	

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:

	Shareholding requirement		Beneficial holdings (including interests of the Director's connected persons)	
Director	Value of base salary required to be held	Value of base salary held at 31 December 2015 (including shares held by connected persons)±	31 December 2015	31 December 2014
J Fairburn	200%	477%	154,315	141,712
M H Killoran	200%	2,653%	650,284	639,165
N P Greenaway	200%	387%	66,688	63,557
D Jenkinson	200%	134%	33,031	31,934
Non-Executives				
N H T Wrigley	n/a	n/a	36,000	36,000
R J Pennycook	n/a	n/a	643	643
J Davie	n/a	n/a	20,000	20,000
M Preston	n/a	n/a	500	500
M Sears	n/a	n/a	10,000	10,000
R Kentleton	n/a	n/a	1,203	n/a
Total			**972,664**	943,511

± Calculated on the closing price of £20.27 at 31 December 2015 and on base salary at 1 January 2016.

Jeff Fairburn and Mike Killoran each also has a non-beneficial interest in 48,360 and 64,022 shares respectively, in addition to the holdings above. Also, Jeff Fairburn's son has an SAYE option over 1,079 shares with an option price of £16.67.

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

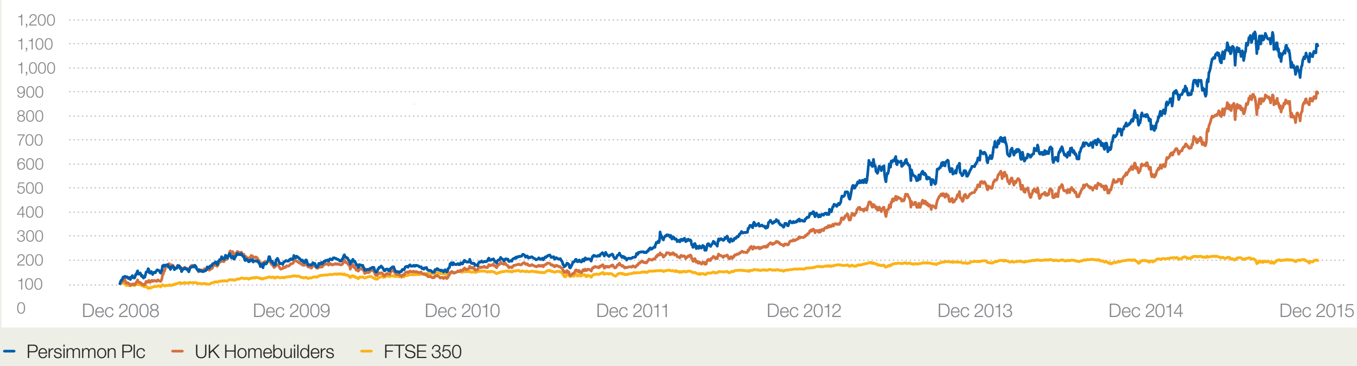
There are no share ownership requirements for the Chairman or the Non-Executive Directors.

The Directors' beneficial holdings were 972,664 shares at 31 December 2015 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 2015 and 22 February 2016.

Total shareholder return performance

We have chosen to compare the Company's total shareholder return performance over the last seven years 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.

Total shareholder return performance



Group Chief Executive remuneration 2009 to 2015

	Chief Executive	Single figure of total remuneration £	Annual bonus paid against maximum opportunity	LTIP awards vesting against maximum opportunity
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 2014 to 2015, compared to the change in remuneration of the Group's salaried employees. We have selected the salaried workforce as the comparator group as this includes 2,729 (2014: 2,430) junior to senior employees with the most relevant pay structure.

	Percentage change from 2014 to 2015		
	Annual salary	Bonus	Value of taxable benefits
Group Chief Executive	3.0%	9.5%	9.2%
Average of salaried employees	3.4%	–12.7%	–8.2%

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

Statement of voting at General Meeting

The Directors' remuneration policy, effective from 16 April 2014 and the Annual Report on Remuneration for 2014 were both put to shareholders for their approval at the AGM held on 16 April 2014 and the AGM held on 16 April 2015, respectively. The resolutions were passed on a show of hands. Of the proxy votes lodged, 90.8% were in favour of the resolution to approve the Directors' Remuneration Policy Report and 97.8% were in favour of the Annual Report on Remuneration, 9.1% and 2.1% were against respectively. There were 637,189 and 527,194 votes withheld from each resolution, representing 0.2% and 0.2% respectively of the then 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.

	2015 £m	2014 £m	Difference in spend £m	Difference as a percentage
Remuneration for all employees	**185.9**	169.5	16.4	9.7%
Total Capital Return Plan payments made	**291.1**	213.9	77.2	36.1%

Remuneration policy implementation for 2016

Executive Directors

Base salaries

After taking into consideration Group employees' salary increases in 2015 (salaried employees generally received a 3% base salary increase in 2015) together with general market conditions, the Committee has awarded salary increases of 3% to the Executive Directors, except for Dave Jenkinson. Dave Jenkinson has been awarded a salary of £500,000 from 1 January 2016. This is as a result of his promotion from North Division Chief Executive to Group Managing Director and his additional responsibilities in overseeing all of the Group's operating businesses.

	Base salary from 1 January 2016	2015
Jeff Fairburn	**£655,600**	£636,500
Dave Jenkinson	**£500,000**	£339,500
Mike Killoran	**£496,870**	£482,400
Nigel Greenaway	**£349,700**	£339,500

Nigel Greenaway will retire from the Board on 14 April 2016 and from the Group on 30 April 2016. His base salary and salary supplement will both cease on the date he leaves the Group.

Annual bonus

In line with the Company's strategy to improve margins and return cash to shareholders under the Capital Return Plan, the Committee has decided that the most appropriate performance condition for 2016 annual bonus will again primarily be based on profit before tax and cash generation measures, plus conditions relating to customer satisfaction, which will account for 10% of the maximum bonus opportunity. Health and safety outcomes may act as a downward modifier of up to 10% of the bonus outcome. The Committee considers that the chosen annual bonus performance targets and maximum award levels achieve their aim of having a large part of an Executive Director's remuneration performance related and that those performance conditions are closely aligned to the Company's strategy to grow the business, improve margins and increase cashflow. They also link the Executive Directors' remuneration with two of the Company's key non-financial performance indicators.

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

The Committee has determined that the maximum annual bonus potential for Jeff Fairburn should remain at 200% of base salary. This annual bonus potential reflects that Jeff Fairburn's base salary is lower than the salaries of the Chief Executives of the other large housebuilders. This structure enhances the emphasis on pay for performance, with any annual bonus payable in excess of 100% of base salary paid entirely in deferred shares. The Committee notes that Jeff Fairburn's combined base salary plus maximum annual bonus remains below the FTSE 100 market median.

The Committee has retained the maximum annual bonus achievable for the other Executive Directors at 150% of base salary, except for Nigel Greenaway. As Nigel is retiring from the Group in April 2016, he will not be participating in the 2016 Executive Directors' bonus arrangements. Instead he will be eligible for a maximum bonus of £40,000. This discretionary bonus will be subject to Nigel's satisfactory personal performance.

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

Long Term Incentive Plan awards

In recognition of Dave Jenkinson's promotion to Group Managing Director, the Remuneration Committee have decided that he should receive an additional award under the 2012 LTIP of 745,800 shares. The award will have an initial exercise price equal to the market value at the date of the award, which can reduce by a maximum of £3.80 per share. This will bring Dave's total outstanding 2012 LTIP awards in line with that approved by shareholders for the Group Managing Director.

Nigel Greenaway's 2012 LTIP awards will become exercisable when he retires in April 2016. The number of shares Nigel will be able to acquire will be reduced pro rata strictly in accordance with the scheme's rules. He will have 12 months to exercise these awards and will be required to retain half of the shares received (after sales to pay tax) for a minimum of one year.

Pension and Pension Salary Supplement

The Committee has recently reviewed the remuneration payable to Dave Jenkinson on his promotion to Group Managing Director. As part of that review it became apparent that the pension salary supplement payable to Dave Jenkinson in his new position and to Jeff Fairburn, Group Chief Executive was no longer reasonable or competitive.

The Committee has therefore decided that the salary supplement payable in lieu of pension to Jeff Fairburn and Dave Jenkinson should be increased to 24% of base salary from 1 January 2016. The Committee agreed to retain Mike Killoran's salary supplement at 30% of his base salary as this reflects the value of the pension benefits given up when he withdrew from future pension accrual. Nigel Greenaway's salary supplement is unchanged as he will be retiring in April 2016.

Chairman and Non-Executive Directors' fees

The Committee has agreed that the Chairman's fee for 2015 should be increased by 3%, making his fee for 2016 £207,650. The Board as a whole determines the fees of the Non-Executive Directors. The Board has agreed that the fee for 2016 should increase by 3%, making the fee £57,900, plus an additional fee of £10,000 for the extra responsibilities in chairing a committee. The fee for chairing a committee is unchanged from last year.

The Remuneration Committee

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

Current members	Date of appointment to the Committee
Jonathan Davie (Chairman)	1 January 2010
Nicholas Wrigley	18 December 2007
Mark Preston	27 February 2012
Marion Sears	20 February 2013

The Committee sought advice on Executive Directors' remuneration matters from its independent remuneration consultants New Bridge Street ('NBS'), a trading name of Aon Hewitt (part of Aon plc), who were selected by the Committee due to their expertise in this field. The Committee considers that the advice provided by NBS as professional remuneration consultants is objective and independent. NBS is a signatory to the Remuneration Consultants Group Code of Conduct in relation to executive remuneration consulting in the UK.

Aon Hewitt also provides advice to the Company on the Company's pension schemes via its actuarial and pension consultancy division. The Committee does not consider that the independence of NBS is compromised by this appointment as NBS is a separate division of Aon Hewitt based in London (the actuarial and pension consultancy offices are in Leeds and Birmingham). The amount of fees the Company paid to NBS for the services they provided in 2015 was £16,107, charged on a time spent basis.

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

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

By order of the Board

Jonathan Davie
Chairman Remuneration Committee

22 February 2016

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The current Directors who are listed on pages 44 and 45 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

Mike Killoran
Group Finance Director

22 February 2016

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

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Persimmon plc for the year ended 31 December 2015 set out on pages 76 to 121. In our opinion:

- 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 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and 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.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows (unchanged from 31 December 2014):

Carrying value of available for sale financial assets – shared equity receivables (£177.9 million)

Refer to page 50 (Audit Committee Report), page 84 (accounting policy) and page 96 (financial disclosure)

The risk:

The Group carries long-term, shared equity loans over an extended term, provided to customers on the purchase of a new home from the Group. The carrying value of the available-for-sale financial assets incorporates certain assumptions in respect of house price inflation, borrower default and discount rate over the period of expected recovery. There are inherent uncertainties within these assumptions which require judgements to be made.

Our response:

In this area, our procedures included:

- testing the integrity of the Group's discounted cash flow model used to value the assets by reperforming the calculations:
- evaluating the key assumptions of forecast house price inflation and challenging the market participant discount rate, through comparison to externally derived data;
- evaluating the assumptions relating to borrower default against actual default levels incurred by the Group to date and externally available data on mortgage default rates;
- performing sensitivity analysis on the valuation;
- comparing actual house price inflation to historical price inflation assumptions used in the model in order to assess the Group's ability to forecast accurately; and
- comparing the level of redemptions in the year to the assumed redemption period incorporated into the valuation model to evaluate the assumption made over the timing of the settlement of the receivables.

We have also considered the adequacy of the Group's disclosures over the key assumptions and degree of estimation.

Carrying value of land and work in progress (including the accuracy of cost recoveries) (£2,564.6 million included within inventories)

Refer to page 50 (Audit Committee Report), page 84 (accounting policy) and pages 96 and 97 (financial disclosure)

The risk:

The carrying value of land and work in progress depends on assumptions of forecast selling prices, site planning (including planning consent), build costs and cost recoveries, all of which contain an element of judgement and uncertainty. Cost recovery for legally complete house sales is based on the latest whole site gross margin which is an output of the site valuations. These valuations use actual and forecast selling prices and actual and forecast build costs. Forecast selling prices have inherent uncertainty due to changes in market conditions. Forecast build costs can vary with market conditions and may also be incorrectly estimated due to changes in site planning, style of build or unforeseen circumstances arising during construction.

Our response:

In this area our procedures included:

- testing the Group's controls over the valuation process by attending a selection of regional valuation meetings and inspecting the minutes for all regions in respect of the pre half year and year end valuation meetings. At these meetings the Group management review actual costs and revenues against detailed site budgets. Estimates of future costs and selling prices in the cost to complete forecasts are reviewed in detail including reference to tendered works packages, actual costs incurred and forward sales reservation prices. Our inspection of the minutes, and attendance at a selection of meetings, included ensuring the appropriate individuals attended the meetings and that the valuations and costs to complete forecasts for all developments were discussed, challenged and the valuations updated as appropriate;
- testing the system calculation of cost recovery by plot, through re-calculation;
- for a sample of developments we performed a comparison of estimated and actual revenue, costs and margin across the lifetime of the development, from the initial land viability study performed by the Group to the latest valuation. We challenged the key reasons for changes to the development's profitability in order to assess the Group's ability to forecast accurately and to ensure recognition of gross margin was adjusted appropriately and promptly reflecting the key reasons for the change identified;
- for a sample of developments where the last plot was sold in the year, we tested that the amount recovered and accrued for development completion costs (e.g. road and sewers adoption works) was appropriate by agreeing it to the latest budget approved in the latest valuation meeting; and
- testing the Group's controls over the land viability assessment process by checking that the appropriate external reports had been received for a sample of current year land acquisitions, that the report conclusions were included in the viability assessment, and that the assessed margin for the completed site post development fulfilled the Group's required target investment return thresholds.

We have also considered the adequacy of the Group's disclosures involved in arriving at the carrying value of the land and work in progress.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £31.2 million (2014: 32.5 million), determined with reference to a benchmark of profit before tax, of which it represents 5% (2014: 1% of gross assets). The benchmark has changed from gross assets to profit before tax to reflect the industry consensus approach.

We report to the Audit Committee any corrected or uncorrected audit differences exceeding £1.6 million (2014: £1.6 million) in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group audit team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality levels set out above and covered 100% of total Group revenue, Group profit before taxation, and total Group assets (2014: 100%).

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- 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.

5 We have nothing to report on the disclosures of principal risk

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' Viability Statement on page 25, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the six years to 31 December 2021; or
- the disclosures in note 2 of the financial statements concerning the use of the going concern basis of accounting.

6 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that 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 position and performance, business model and strategy; or
- the Audit Committee Report included in the Corporate Governance and Directors' Report does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

Under the Listing Rules we are required to review:

- the Directors' statements, set out on pages 53 and 25, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 52 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 72, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Iain Moffatt (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square, Sovereign Street, Leeds, LS1 4DA

22 February 2016

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	Note	2015 Total £m	2014 Total £m
Revenue	5	**2,901.7**	2,573.9
Cost of sales		**(2,164.4)**	(2,002.1)
Gross profit		**737.3**	571.8
Other operating income		**11.6**	8.6
Operating expenses		**(122.7)**	(115.1)
Profit from operations before impairment of intangible assets		**634.5**	473.3
Impairment of intangible assets	13	**(8.3)**	(8.0)
Profit from operations	9	**626.2**	465.3
Finance income	8	**22.1**	15.9
Finance costs	8	**(18.8)**	(14.2)
Profit before tax		**629.5**	467.0
Tax	10.1	**(107.6)**	(95.0)
Profit after tax (all attributable to equity holders of the parent)	12	**521.9**	372.0
Other comprehensive income/(expense)			
Items that will not be reclassified to profit:			
Remeasurement gains/(losses) on defined benefit pension schemes	27	**7.5**	(41.6)
Tax	10.2	**(1.1)**	8.3
Other comprehensive income/(expense) for the year, net of tax		**6.4**	(33.3)
Total recognised income for the year		**528.3**	338.7
Earnings per share [i]			
Basic	12	**170.3p**	121.8p
Diluted	12	**166.4p**	121.7p
Non-GAAP measures – Underlying earnings per share [ii]			
Basic	12	**173.0p**	124.5p
Diluted	12	**169.1p**	124.3p

i Earnings per share is calculated in accordance with IAS 33: Earnings Per Share.

ii Underlying earnings per share excludes exceptional items and goodwill impairment.

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 2015

	Note	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Assets					
Non-current assets					
Intangible assets	13	**221.6**	229.9	**2.0**	2.3
Property, plant and equipment	14	**37.4**	33.4	**2.1**	2.0
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	**177.9**	201.3	**–**	–
Trade and other receivables	18	**10.1**	8.2	**–**	–
Deferred tax assets	22	**46.6**	30.3	**39.8**	26.0
Retirement benefit assets	27	**18.0**	–	**18.0**	–
		514.6	506.1	**3,267.6**	3,236.0
Current assets					
Inventories	17	**2,645.3**	2,408.2	**–**	–
Trade and other receivables	18	**91.5**	62.7	**1,028.0**	869.5
Cash and cash equivalents	24	**570.4**	378.4	**442.5**	301.0
Current tax assets		**–**	–	**0.9**	1.5
Assets held for sale	14	**–**	0.9	**–**	–
		3,307.2	2,850.2	**1,471.4**	1,172.0
Total assets		**3,821.8**	3,356.3	**4,739.0**	4,408.0
Liabilities					
Non-current liabilities					
Trade and other payables	20	**(372.6)**	(265.3)	**(33.0)**	(19.5)
Deferred tax liabilities	22	**(18.3)**	(17.8)	**(3.2)**	–
Partnership liability	28	**(44.6)**	(47.4)	**–**	–
Retirement benefit obligations	27	**–**	(0.5)	**–**	(0.5)
		(435.5)	(331.0)	**(36.2)**	(20.0)
Current liabilities					
Trade and other payables	20	**(846.8)**	(731.5)	**(3,338.4)**	(3,210.4)
Partnership liability	28	**(5.4)**	(5.3)	**–**	–
Current tax liabilities		**(78.3)**	(95.9)	**–**	–
		(930.5)	(832.7)	**(3,338.4)**	(3,210.4)
Total liabilities		**(1,366.0)**	(1,163.7)	**(3,374.6)**	(3,230.4)
Net assets		**2,455.8**	2,192.6	**1,364.4**	1,177.6
Equity					
Ordinary share capital issued	23	**30.7**	30.6	**30.7**	30.6
Share premium		**9.3**	103.4	**9.3**	103.4
Capital redemption reserve		**236.5**	136.7	**236.5**	136.7
Other non-distributable reserve		**276.8**	281.4	**–**	4.6
Retained earnings		**1,902.5**	1,640.5	**1,087.9**	902.3
Total equity		**2,455.8**	2,192.6	**1,364.4**	1,177.6

The financial statements of Persimmon Plc (Company number: 1818486) on pages 76 to 121 were approved by the Board of Directors on 22 February 2016 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 2015

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other non-distributable reserve £m	Retained earnings £m	Total £m
Group						
Balance at 1 January 2014	30.5	160.0	76.7	281.4	1,496.9	2,045.5
Profit for the year	–	–	–	–	372.0	372.0
Other comprehensive expense	–	–	–	–	(33.3)	(33.3)
Transactions with owners:						
Allotment of B/C shares	–	(60.0)	–	–	–	(60.0)
Redemption and cancellation of B/C shares	–	–	60.0	–	(60.0)	–
Dividends on equity shares	–	–	–	–	(153.9)	(153.9)
Issue of new shares	0.1	3.4	–	–	–	3.5
Exercise of share options/share awards	–	–	–	–	(0.7)	(0.7)
Share-based payments	–	–	–	–	18.8	18.8
Satisfaction of share options from own shares held	–	–	–	–	0.7	0.7
Balance at 31 December 2014	**30.6**	**103.4**	**136.7**	**281.4**	**1,640.5**	**2,192.6**
Profit for the year	–	–	–	–	521.9	521.9
Other comprehensive income	–	–	–	–	6.4	6.4
Transactions with owners:						
Allotment of B/C shares	–	(95.2)	–	(4.6)	–	(99.8)
Redemption and cancellation of B/C shares	–	–	99.8	–	(99.8)	–
Dividends on equity shares	–	–	–	–	(191.3)	(191.3)
Issue of new shares	0.1	1.1	–	–	–	1.2
Exercise of share options/share awards	–	–	–	–	(0.6)	(0.6)
Share-based payments	–	–	–	–	24.8	24.8
Satisfaction of share options from own shares held	–	–	–	–	0.6	0.6
Balance at 31 December 2015	**30.7**	**9.3**	**236.5**	**276.8**	**1,902.5**	**2,455.8**

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

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other non-distributable reserve £m	Retained earnings £m	Total £m
Company						
Balance at 1 January 2014	30.5	160.0	76.7	4.6	634.4	906.2
Profit for the year	–	–	–	–	497.0	497.0
Other comprehensive expense	–	–	–	–	(33.3)	(33.3)
Transactions with owners:						
Allotment of B/C shares	–	(60.0)	–	–	–	(60.0)
Redemption and cancellation of B/C shares	–	–	60.0	–	(60.0)	–
Dividends on equity shares	–	–	–	–	(153.9)	(153.9)
Issue of new shares	0.1	3.4	–	–	–	3.5
Exercise of share options/share awards			–	–	(0.7)	(0.7)
Share-based payments	–	–	–	–	18.8	18.8
Balance at 31 December 2014	**30.6**	**103.4**	**136.7**	**4.6**	**902.3**	**1,177.6**
Profit for the year	–	–	–	–	447.2	447.2
Other comprehensive income	–	–	–	–	6.4	6.4
Transactions with owners:						
Allotment of B/C shares	–	(95.2)	–	(4.6)	–	(99.8)
Redemption and cancellation of B/C shares	–	–	99.8	–	(99.8)	–
Dividends on equity shares	–	–	–	–	(191.3)	(191.3)
Issue of new shares	0.1	1.1	–	–	–	1.2
Exercise of share options/share awards	–	–	–	–	(0.6)	(0.6)
Share-based payments	–	–	–	–	24.8	24.8
Other reserve movements	–	–	–	–	(1.1)	(1.1)
Balance at 31 December 2015	**30.7**	**9.3**	**236.5**	**–**	**1,087.9**	**1,364.4**

During the year the Company received dividends from wholly owned subsidiary undertakings of £450.0m (2014: £500.0m).

Retained earnings include £26.9m of non-distributable items (2014: £30.6m).

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

Cash flow statements

For the year ended 31 December 2015

	Note	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Cash flows from operating activities:					
Profit for the year		**521.9**	372.0	**447.2**	497.0
Tax charge/(credit)	10.1	**107.6**	95.0	**0.1**	(1.3)
Finance income	8	**(22.1)**	(15.9)	**(5.5)**	(1.8)
Finance costs	8	**18.8**	14.2	**1.6**	5.5
Depreciation charge	14	**7.1**	6.2	**0.3**	0.3
Amortisation of intangible assets	13	**–**	–	**0.3**	0.2
Impairment of intangible assets	13	**8.3**	8.0	**–**	–
Share-based payment charge		**11.2**	10.2	**11.2**	10.2
Net imputed interest income		**1.3**	8.0	**–**	–
Other non-cash items		**(0.5)**	0.8	**2.4**	2.4
Cash inflow from operating activities		**653.6**	498.5	**457.6**	512.5
Movements in working capital:					
Increase in inventories		**(232.0)**	(209.1)	**–**	–
(Increase)/decrease in trade and other receivables		**(27.8)**	7.6	**(172.6)**	(20.6)
Increase/(decrease) in trade and other payables		**196.5**	173.5	**145.5**	(111.4)
Decrease in available for sale financial assets		**35.6**	26.2	**–**	–
Cash generated from operations		**625.9**	496.7	**430.5**	380.5
Interest paid		**(4.4)**	(4.6)	**(1.6)**	(1.7)
Interest received		**1.2**	0.5	**0.5**	0.3
Tax (paid)/received		**(128.3)**	(96.1)	**2.4**	4.6
Net cash inflow from operating activities		**494.4**	396.5	**431.8**	383.7
Cash flows from investing activities:					
Purchase of property, plant and equipment	14	**(11.1)**	(7.8)	**(0.4)**	(0.4)
Proceeds from sale of property, plant and equipment		**1.3**	–	**–**	–
Net cash outflow from investing activities		**(9.8)**	(7.8)	**(0.4)**	(0.4)
Cash flows from financing activities:					
Financing transaction costs		**–**	(1.8)	**–**	(1.8)
Payment of Partnership Liability		**(2.7)**	(2.5)	**–**	–
Share options consideration		**1.2**	3.6	**1.2**	3.6
B Share Redemption	11	**(99.8)**	(60.0)	**(99.8)**	(60.0)
Dividends paid	11	**(191.3)**	(153.9)	**(191.3)**	(153.9)
Net cash outflow from financing activities		**(292.6)**	(214.6)	**(289.9)**	(212.1)
Increase in net cash and cash equivalents	24	**192.0**	174.1	**141.5**	171.2
Cash and cash equivalents at the beginning of the year		**378.4**	204.3	**301.0**	129.8
Cash and cash equivalents at the end of the year	24	**570.4**	378.4	**442.5**	301.0

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2015:

- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle

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

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

- Amendments to IFRS 11: Accounting for Acquisitions of Interest in Joint Operations
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41: Bearer Plants
- Annual Improvements to IFRSs 2012-2014 Cycle

The Group is currently considering the implication of these standards, however it is anticipated the impact of these standards on the financial position and performance of the Group will be minimal and effects will principally relate to amendment and extension of current disclosures.

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 non-current assets and 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 4 to 39. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 20 to 39 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 2015 the Group had cash and deposits of £570.4m and £300.0m of undrawn committed bank facilities available to meet future funding requirements.

At 31 December 2015, the net cash position of the Group was £570.4m (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.

2 Accounting policies (continued)

Goodwill

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

Brand intangibles

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

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

Revenue recognition

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

Government grants

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

Other operating income

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

Operating expenses

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

Borrowing costs

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

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

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

Exceptional items

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

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.

2 Accounting policies (continued)

Retirement benefit costs

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

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

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

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

Taxation

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

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

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

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

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

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

Leases as lessee

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

Property, plant and equipment

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

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

Plant – 3 to 5 years.

Fixtures and fittings – 3 to 5 years.

Freehold buildings – 50 years.

No depreciation is provided on freehold land.

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

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.

2 Accounting policies (continued)

Available for sale financial assets

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

Inventories

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

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

Trade and other receivables

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

Inter-Group guarantees

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

Trade and other payables

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

Deposits

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

Cash and cash equivalents

Cash and cash equivalents include cash and balances in the bank accounts with no notice or less than three months' notice from inception, and are subject to insignificant risk of changes in value. A small number of reclassifications have been made to the prior year comparatives in the Group Cash Flow Statement in order to more clearly present non-cash movements. These do not impact cash generated from operations.

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 2015, 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 2015 the asset recognised on the balance sheet was £177.9m (2014: £201.3m).

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 £161.6m with an impairment of £8.3m 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 2015.

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:

	2015 £m	2014 £m
Revenue as noted in the statement of comprehensive income:		
Sale of goods	**2,901.7**	2,573.9
Other operating income	**11.6**	8.6
Finance income	**22.1**	15.9
Total revenue	**2,935.4**	2,598.4

Sale of goods includes £269.7m (2014: £237.2m) 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 £286.7m (2014: £231.3m).

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 62 to 71. A summary of key management remuneration is as follows:

	2015 £m	2014 £m
Short-term benefits	**4.4**	4.2
Post-employment benefits	**0.1**	0.1
Share-based payments	**5.9**	4.5
	10.4	8.8

No termination benefits were paid to key management personnel. Total gains on exercise of options by key management in the year amounted to £0.9m (2014: £4.6m).

7 Employees

Group

The average monthly number of persons (including Executive Directors) employed by the Group during the year was 4,188 (2014: 3,453).

	2015 £m	2014 £m
Staff costs (for the above persons):		
Wages and salaries	**152.7**	138.7
Social security costs	**16.1**	15.3
Pensions charge	**5.9**	5.3
Share-based payments	**11.2**	10.2
	185.9	169.5

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 183 (2014: 176).

	2015 £m	2014 £m
Staff costs (for the above persons):		
Wages and salaries	**14.7**	24.8
Social security costs	**1.8**	3.3
Pensions charge	**2.6**	2.5
Share-based payments	**11.2**	10.2
	30.3	40.8

8 Net finance income

	2015 £m	2014 £m
Recognised in profit after tax		
Interest receivable on bank deposits	**0.9**	0.5
Imputed interest on available for sale financial assets	**15.7**	13.7
Net interest on pension asset	**–**	1.6
Other interest receivable	**5.5**	0.1
Finance income	**22.1**	15.9
Interest expense on bank overdrafts and loans	**1.6**	4.5
Imputed interest on deferred land payables	**14.4**	5.7
Interest on Partnership liability	**2.6**	2.7
Other interest expense	**0.2**	1.3
Finance costs	**18.8**	14.2
Net finance income	**3.3**	1.7

9 Profit from operations

	2015 £m	2014 £m
Profit from operations is stated after charging/(crediting):		
Staff costs (note 7)	**185.9**	169.5
Profit on sale of land holdings	**(5.9)**	(2.4)
Government grants	**(0.4)**	(2.3)
Rent receivable	**(1.7)**	(1.6)
Loss on sale of assets held for sale	**0.1**	–
Depreciation of owned assets	**7.1**	6.2
Impairment of intangible assets	**8.3**	8.0
Operating lease charges	**6.1**	6.9

Government grants of £nil (2014: £1.8m) were received in the year relating to provision of affordable and first time buyer housing. In addition, the Group's customers have benefited from increased availability of finance through the Government's 'Help to Buy' scheme which has provided indirect assistance to the Group.

Amounts receivable by the auditor, KPMG LLP, and their associates in respect of:

	2015 £'000	2014 £'000
Audit fees		
Audit of the Parent Company and consolidated financial statements	**119**	115
Audit related assurance services	**50**	50
The audit of the Company's subsidiaries pursuant to legislation	**50**	42
Total fees for the audit of the Company and its subsidiaries	**219**	207
Non-audit fees		
Tax advisory services	**–**	3
Other services	**20**	23
Total non-audit fees	**20**	26
	239	233

The extent of non-audit fees and non-audit related service fees payable to KPMG 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 KPMG LLP and its affiliated entities for non-audit services amounted to £65,000 (2014: £17,000).

10 Tax

10.1 Analysis of the tax charge for the year

	2015 £m	2014 £m
Tax charge comprises:		
UK corporation tax in respect of the current year	**132.2**	100.7
Adjustments in respect of prior years	**(21.5)**	(6.7)
	110.7	94.0
Deferred tax relating to origination and reversal of temporary differences	**(2.1)**	1.9
Adjustments recognised in the current year in respect of prior years deferred tax	**(1.0)**	(0.9)
	(3.1)	1.0
	107.6	95.0

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

	2015 £m	2014 £m
Profit from continuing operations	**629.5**	467.0
Tax calculated at UK corporation tax rate of 20.25% (2014: 21.5%)	**127.5**	100.4
Accounting base cost not deductible for tax purposes	**0.8**	0.4
Goodwill impairment losses that are not deductible	**1.7**	1.7
Expenditure not allowable for tax purposes	**0.2**	0.2
Effect of change in rate of corporation tax	**(0.1)**	(0.1)
Adjustments in respect of prior years	**(22.5)**	(7.6)
Tax charge for the year recognised in profit or loss	**107.6**	95.0

The Group's overall effective tax rate has been reduced by a prior year tax credit arising from the removal of some uncertainties regarding the Group's prior year tax computations. This has delivered a reduction of 3.4% in the effective rate of tax.

The applicable corporation tax rate has reduced from the prior year in line with corporation tax rates effective from 1 April 2014 (21%) and 1 April 2015 (20%). Further corporation tax rate changes enacted on 18 November 2015 effective from 1 April 2017 (19%) and 1 April 2020 (18%) have been reflected in deferred tax calculations.

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

	2015 £m	2014 £m
Recognised on remeasurement gains/(losses) on pension schemes	**1.1**	(8.3)

10.3 Deferred tax recognised directly in equity (note 22)

	2015 £m	2014 £m
Arising on transactions with equity participants		
Relating to equity-settled transactions	**(13.7)**	(8.5)

11 Dividends/Return of capital

	2015 £m	2014 £m
Amounts recognised as distributions to capital holders in the period:		
2014 return of capital to B shareholders of 70.0p per share	–	60.0
2014 dividend to C shareholders of 70.0p per share	–	153.9
2015 return of capital to B shareholders at 95.0p per share	99.8	–
2015 dividend to C shareholders of 95.0p per share	191.3	–
Total capital return	**291.1**	213.9

The Directors propose to return 110p of surplus capital (2015: 95p) in cash to shareholders for each ordinary share held at 6.00pm on 4 March 2016 with payment to be made on 1 April 2016.

The Parent Company received £450.0m dividends from wholly owned subsidiary undertakings during 2015 (2014: £500.0m).

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 306.4m (2014: 305.3m).

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 313.6m (2014: 305.7m).

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

	2015	2014
Basic earnings per share	170.3p	121.8p
Underlying basic earnings per share	173.0p	124.5p
Diluted earnings per share	166.4p	121.7p
Underlying diluted earnings per share	169.1p	124.3p

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

	2015 £m	2014 £m
Underlying earnings attributable to shareholders	530.2	380.0
Goodwill impairment	(8.3)	(8.0)
Earnings attributable to shareholders	521.9	372.0

13 Intangible assets

Group	Goodwill £m	Brand £m	Know-how £m	Total £m
Cost				
At 1 January 2014, 1 January 2015 and 31 December 2015	**408.8**	**60.0**	**1.9**	**470.7**
Accumulated impairment losses/amortisation				
At 1 January 2014	230.9	–	1.9	232.8
Impairment losses for the year – utilisation of strategic land holdings	8.0	–	–	8.0
At 1 January 2015	**238.9**	**–**	**1.9**	**240.8**
Impairment losses for the year – utilisation of strategic land holdings	8.3	–	–	8.3
At 31 December 2015	**247.2**	**–**	**1.9**	**249.1**
Carrying amount				
At 31 December 2015	**161.6**	**60.0**	**–**	**221.6**
At 31 December 2014	169.9	60.0	–	229.9

Goodwill brought forward at the start of the year of £169.9m includes £139.1m (2014: £145.2m) 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 (2014: £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% (2014: –3% to +2%), reflecting the current state of the UK housing market.

The retraction/growth rates in relation to the impairment review of goodwill allocated to strategic land holdings vary between –3% to +2% (2014: –3% to +2%).

After this period the growth rates applied to calculate the cash flow forecasts vary between nil and 2% (2014: 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 9% (2014: 5% and 11%) over the forecast periods.

13 Intangible assets (continued)

The goodwill allocated to acquired strategic land holdings is further tested by reference to the proportion of legally completed plots in the period compared to the total plots which are expected to receive satisfactory planning permission in the remaining strategic land holdings, taking account of historic experience and market conditions. This review resulted in an underlying impairment of £8.3m (2014: £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 £95.8m (2014: £102.0m) and £28.8m (2014: £30.9m) of Beazer and Westbury goodwill allocated to strategic land holdings and £37.0m (2014: £37.0m) allocated to the Charles Church brand. In addition, there is £60.0m (2014: £60.0m) of carrying value in relation to the Westbury brand.

No reasonable possible change in any of the assumptions noted above would lead to an impairment charge being required. However, in the event of deterioration in the UK housing market conditions, operating margins reducing, or appropriate discount rates increasing the possibility of impairment losses in the future remains.

Company	Trademarks £m
Cost	
At 1 January 2014, 1 January 2015 and 31 December 2015	**5.0**
Amortisation	
At 1 January 2014	2.5
Charge for the year	0.2
At 1 January 2015	2.7
Charge for the year	0.3
At 31 December 2015	**3.0**
Carrying amount	
At 31 December 2015	**2.0**
At 31 December 2014	2.3

14 Property, plant and equipment

Group	Land and buildings £m	Plant £m	Fixtures and fittings £m	Total £m
Cost				
At 1 January 2014	23.5	48.3	12.0	83.8
Additions	0.8	5.7	1.3	7.8
Disposals	–	(0.1)	(0.8)	(0.9)
At 1 January 2015	24.3	53.9	12.5	90.7
Additions	1.6	8.5	1.0	11.1
Disposals	(0.1)	(0.5)	(0.4)	(1.0)
At 31 December 2015	**25.8**	**61.9**	**13.1**	**100.8**
Accumulated depreciation				
At 1 January 2014	3.1	37.9	11.0	52.0
Charge for the year	0.4	5.2	0.6	6.2
Disposals	–	(0.1)	(0.8)	(0.9)
At 1 January 2015	3.5	43.0	10.8	57.3
Charge for the year	0.5	5.9	0.7	7.1
Disposals	(0.1)	(0.5)	(0.4)	(1.0)
At 31 December 2015	**3.9**	**48.4**	**11.1**	**63.4**
Carrying amount				
At 31 December 2015	**21.9**	**13.5**	**2.0**	**37.4**
At 31 December 2014	20.8	10.9	1.7	33.4

At 31 December 2015, the Group had £0.3m contractual commitments for the acquisition of property, plant and equipment (2014: £0.5m).

At 31 December 2015, the Group had no assets held for sale (2014: £0.9m). During the year two properties with a value of £0.9m were disposed of.

14 Property, plant and equipment (continued)

Company	Land and buildings £m	Computer equipment, fixtures and fittings £m	Total £m
Cost			
At 1 January 2014	1.9	3.3	5.2
Additions	–	0.4	0.4
Disposals	–	(0.8)	(0.8)
At 1 January 2015	1.9	2.9	4.8
Additions	–	0.4	0.4
Disposals	–	(0.4)	(0.4)
At 31 December 2015	**1.9**	**2.9**	**4.8**
Accumulated depreciation			
At 1 January 2014	0.4	2.9	3.3
Charge for the year	–	0.3	0.3
Disposals	–	(0.8)	(0.8)
At 1 January 2015	0.4	2.4	2.8
Charge for the year	0.1	0.2	0.3
Disposals	–	(0.4)	(0.4)
At 31 December 2015	**0.5**	**2.2**	**2.7**
Carrying amount			
At 31 December 2015	**1.4**	**0.7**	**2.1**
At 31 December 2014	1.5	0.5	2.0

15 Investments

15.1 Investments accounted for using the equity method

Group	Investments in joint ventures £m
Cost	
At 1 January 2014, 1 January 2015 and 31 December 2015	**3.0**

The Group's principal investments in joint ventures comprise:

	Share of ordinary allotted capital held by the Group	Accounting date
Balaia Golf Village Realizacoes Imobiliaria 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:

	2015 £m	2014 £m
Non-current assets	0.4	0.4
Current assets	4.9	4.7
Current liabilities	(2.3)	(2.1)
Net assets of joint ventures	3.0	3.0

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

	2015 £m	2014 £m
Income	1.6	2.0
Expenses	(1.6)	(2.0)
Share of results of joint ventures	–	–

15.2 Investments in subsidiaries

Company	2015 £m	2014 £m
Cost		
At 1 January 2014, 31 December 2014 and 31 December 2015	3,540.7	3,540.7
Impairment		
At 1 January 2014, 31 December 2014 and 31 December 2015	335.0	335.0
Net book value		
At 31 December	3,205.7	3,205.7

The annual review of the carrying value of the investment in subsidiaries identified £nil impairment issues (2014: £nil impairment). Details of Group undertakings are set out in notes 31 and 32.

16 Available for sale financial assets

Group	2015 £m	2014 £m
At 1 January	**201.3**	215.4
Additions	**1.3**	2.5
Settlements	**(40.4)**	(30.3)
Gains (Finance income)	**15.7**	13.7
At 31 December	**177.9**	201.3

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 £7.3m (2014: £8.1m) 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 2015 (2014: £nil). The Directors expect an average maturity profile of between 5 and 10 years from the balance sheet date.

Further disclosures relating to financial assets are set out in note 21.

17 Inventories

	2015 £m	2014 £m
Land	**2,046.7**	1,842.4
Work in progress	**517.9**	464.7
Part exchange properties	**38.3**	52.4
Showhouses	**42.4**	48.7
	2,645.3	2,408.2

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 2015. Our approach to this review has been consistent with that conducted at 31 December 2014. This review gave rise to a reversal of £9.8m (2014: £9.9m) of provision on inventories that were written down in a previous accounting period and an impairment of land and work in progress of £9.8m (2014: £9.9m). 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 2015 were £62.9m (2014: £80.4m).

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 2015 review, £54.4m (2014: £102.0m) 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 £1,024.3m (2014: £791.9m) was used as security for land payables (note 20).

The value of inventories expensed in 2015 and included in cost of sales was £2,062.5m (2014: £1,900.9m).

18 Trade and other receivables

	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Non-current assets				
Other receivables	**10.1**	8.2	**–**	–
Current assets				
Trade receivables	**57.7**	43.5	**0.1**	0.1
Other receivables	**26.9**	15.6	**17.7**	11.2
Amounts owed by Group undertakings	**–**	–	**1,008.7**	854.9
Prepayments and accrued income	**6.9**	3.6	**1.5**	3.3
	91.5	62.7	**1,028.0**	869.5

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.

	2015 £m	2014 £m
Ageing of overdue but not impaired receivables		
Less than 3 months	**10.9**	6.4
Over 3 months	**3.9**	2.0
	14.8	8.4

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

	2015 £m	2014 £m
Group		
At 1 January	**2.9**	3.3
Impairment losses charged	**0.2**	–
Impairment losses reversed	**(0.3)**	(0.4)
At 31 December	**2.8**	2.9

19 Borrowings

Detailed disclosure of the Group's usage of financial instruments is included in note 21. There are £nil borrowings at 31 December 2015 (2014: £nil).

The contractual repayment terms of facilities are as noted below.

	Currency	Nominal interest rate	Year of maturity	2015 £m	2014 £m
Bank overdrafts	GBP	Base +1%–3.25%	2016	**53.0**	50.5
Syndicated loan	GBP	LIBOR +1.25%	2019	**300.0**	300.0
Available facilities				**353.0**	350.5

20 Trade and other payables

	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Non-current liabilities				
Land payables	**325.0**	228.0	**–**	–
Other payables	**47.6**	37.3	**33.0**	19.5
	372.6	265.3	**33.0**	19.5

	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Current liabilities				
Trade payables	**209.8**	186.6	**0.5**	0.6
Land payables	**248.3**	231.5	**–**	–
Deposits and on account contract receipts	**57.7**	30.6	**–**	–
Other payables	**9.9**	19.6	**9.1**	8.3
Accrued expenses	**321.1**	263.2	**18.7**	22.8
Amounts owed to Group undertakings	**–**	–	**3,310.1**	3,178.7
	846.8	731.5	**3,338.4**	3,210.4

Trade payables subject to payment terms were 16 days (2014: 16 days), based on the ratio of year end trade payables (excluding retentions and unagreed claims) to amounts invoiced during the year by trade creditors. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed terms. The Directors consider that the carrying amount of trade payables approximates to their fair value.

Land payables are reduced for imputed interest, which is charged to the statement of comprehensive income over the credit period of the purchase contract.

21 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Liquidity risk
- Capital risk
- Credit risk

This note presents basic information regarding the Group's exposure to these risks and the Group's objectives, strategy and processes for measuring and managing exposure to them. Unless otherwise stated references to Group should be considered to apply to the Company as well.

The Board has overall responsibility for risk management of the Group. The Board has established the Risk Committee which has the delegated task of overseeing the Board's responsibility with respect to risk and internal control. The Risk Committee reports to the Audit Committee on a regular basis.

The Risk Committee is supported in this task by the Group Risk management function. The Group Risk function performs an annual assessment of the risks faced by the Group. This assessment is used to drive a risk focused programme of work aimed to improve business processes and increase internal control effectiveness.

Market risk

Market risk represents the potential for changes in foreign exchange prices and interest rates to affect the Group's profit and the value of its financial instruments. It also incorporates the effect of the overall UK housing market on the Group. The Group's objective in market risk management is to minimise its exposures to fluctuations within such variables whilst optimising returns.

The Group also has investments in a number of Portuguese joint ventures. These interests are not hedged. These investments are considered to be long term in nature.

21 Financial risk management (continued)

The Group has no other significant currency exposures.

The following exchange rates applied during the year:

	2015		2014	
	Average rate	Year end spot rate	Average rate	Year end spot rate
Euro	**1.38**	**1.36**	1.24	1.28

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

	2015 €m	2014 €m
Investments	**3.9**	3.8

Sensitivity analysis

A rise/fall in the Euro/Sterling exchange rate of 10% would result in a £0.3m loss/gain in relation to investments (2014: £0.3m).

Interest rate risk

The Group currently holds no fixed interest borrowings. This reflects both the low borrowing requirements of the Group and the current low interest rates applicable to floating borrowings. The Group has no formal target for a ratio of fixed to floating funding. The responsibility for setting the level of fixed rate debt lies with the Board and is continually reviewed in the light of economic data provided by a variety of sources.

Sensitivity analysis

If in the year ended 31 December 2015 UK interest rates had been 0.5% higher/lower then the Group's pre-tax profit would have increased/decreased by £0.8m (2014: increased/decreased by £0.4m). The Group's post-tax profit would have increased/decreased by £0.6m (2014: increased/decreased by £0.3m).

These sensitivities have been prepared in respect of the direct impact of such an interest rate change on the net financing expense of financial instruments only, and do not attempt to estimate the indirect effect such a change may have on the wider economic environment such as house pricing, mortgage availability and exchange rates.

Housing market risk

The Group is fundamentally affected by the level of UK house prices. These in turn are affected by factors such as credit availability, employment levels, interest rates, consumer confidence and supply of land with planning.

Whilst it is not possible for the Group to fully mitigate such risks on a national macroeconomic basis the Group does continually monitor its geographical spread within the UK, seeking to balance its investment in areas offering the best immediate returns with a long term spread of its operations throughout the UK to minimise the risk of local microeconomic fluctuations. The Group has taken steps to control its speculative build, land acquisition activities and work in progress levels so as to manage the exposure of the Group to any further market disruption.

Sensitivity analysis

At 31 December 2015, 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 £8.9m (2014: £10.1m).

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.

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.

21 Financial risk management (continued)

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 2019. These committed facilities are sufficient to meet projected liquidity requirements to this date. Undrawn committed facilities at the reporting date amount to £300m (2014: £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 4 to 39.

The following are the contractual maturities of financial liabilities, including interest payments (not discounted). These have been calculated using LIBOR rates at the year end (where applicable):

Group	**2015 Carrying amount £m**	Contractual cash flows £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
Trade and other payables	**588.4**	588.6	540.9	4.6	40.4	2.7
Land payables	**573.3**	582.2	253.2	179.0	148.0	2.0
Partnership liability	**50.0**	66.3	5.4	5.4	16.3	39.2
Financial liabilities	**1,211.7**	1,237.1	799.5	189.0	204.7	43.9

Group	2014 Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
Trade and other payables	506.7	507.4	469.9	6.2	9.7	21.6
Land payables	459.5	470.4	236.8	108.2	110.3	15.1
Partnership liability	52.7	71.6	5.3	5.4	16.2	44.7
Financial liabilities	1,018.9	1,049.4	712.0	119.8	136.2	81.4

21 Financial risk management (continued)

Company	2015 Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
Trade and other payables	**3,371.4**	3,371.4	3,338.4	1.3	31.7	–
Financial liabilities	**3,371.4**	3,371.4	3,338.4	1.3	31.7	–

It is noted that £3,310.1m (2014: £3,178.7m) 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	2014 Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
Trade and other payables	3,229.9	3,229.9	3,210.4	2.9	–	16.6
Financial liabilities	3,229.9	3,229.9	3,210.4	2.9	–	16.6

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 2015. 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 £0.5m requirement for a charge in relation to credit impairment in the year (2014: £0.8m).

The maximum total credit risk is as follows:

Group	2015 £m	2014 £m
Trade and other receivables	**94.7**	67.3
Available for sale financial assets	**177.9**	201.3
Cash and cash equivalents	**570.4**	378.4
	843.0	647.0

Company		
Loans and receivables (including intercompany balances)	**1,026.5**	866.2
Cash and cash equivalents	**442.5**	301.0
	1,469.0	1,167.2

The maximum credit exposure of the Group to overseas parties is under £0.1m (2014: under £0.1m) (Company: £nil (2014: £nil)). The Group's credit risk is widely distributed. The maximum credit risk should any single party (excepting financial institutions) fail to perform is £3.9m (2014: £2.7m) and is not yet due (Company: £446.2m (2014: £348.7m) 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 £125.8m (2014: £91.0m).

21 Financial risk management (continued)

Fair value

The fair value of financial assets and liabilities is as follows:

	2015		2014	
Group	**Fair value £m**	**Carrying value £m**	Fair value £m	Carrying value £m
Trade and other receivables	**94.7**	**94.7**	67.3	67.3
Available for sale financial assets	**177.9**	**177.9**	201.3	201.3
Cash and cash equivalents	**570.4**	**570.4**	378.4	378.4
Trade and other payables	**(588.4)**	**(588.4)**	(506.7)	(506.7)
Land payables	**(573.3)**	**(573.3)**	(459.5)	(459.5)
Partnership liability	**(50.0)**	**(50.0)**	(53.1)	(52.7)
	(368.7)	**(368.7)**	(372.3)	(371.9)

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

	2015		2014	
Company	**Fair value £m**	**Carrying value £m**	Fair value £m	Carrying value £m
Trade and other receivables	**1,026.5**	**1,026.5**	866.2	866.2
Cash and cash equivalents	**442.5**	**442.5**	301.0	301.0
Trade and other payables	**(3,371.4)**	**(3,371.4)**	(3,229.9)	(3,229.9)
	(1,902.4)	**(1,902.4)**	(2,062.7)	(2,062.7)

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

Financial assets and liabilities by category:

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Available for sale financial assets	**177.9**	201.3	**–**	–
Trade and other receivables	**94.7**	67.3	**1,026.5**	866.2
Cash and cash equivalents	**570.4**	378.4	**442.5**	301.0
Financial liabilities at amortised cost	**(1,211.7)**	(1,018.9)	**(3,371.4)**	(3,229.9)
	(368.7)	(371.9)	**(1,902.4)**	(2,062.7)

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	**2015 Level 3 £m**	2014 Level 3 £m
Available for sale financial assets	**177.9**	201.3

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 10 years (2014: 10 years) and discount rate 8% (2014: 8%) based on current observed market interest rates offered to private individuals on secured second loans.

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

Detail of the movements in available for sale financial assets in the period are disclosed in note 16.

22 Deferred tax

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

	Note	Accelerated tax depreciation £m	Retirement benefit obligation £m	Share-based payment £m	Intangible assets £m	Imputed interest £m	Other temporary differences £m	Total £m
At 1 January 2014		1.4	(4.7)	11.8	(12.0)	2.4	(2.2)	(3.3)
(Charge)/credit to profit and loss	10.1	(0.1)	(3.5)	1.0	–	0.3	1.3	(1.0)
Credit to other comprehensive income	10.2	–	8.3	–	–	–	–	8.3
Amounts credited directly to equity	10.3	–	–	8.5	–	–	–	8.5
At 1 January 2015		1.3	0.1	21.3	(12.0)	2.7	(0.9)	12.5
Credit/(charge) to profit and loss	10.1	0.4	(2.2)	1.5	1.2	1.4	0.9	3.2
Charge to other comprehensive income	10.2	–	(1.1)	–	–	–	–	(1.1)
Amounts credited directly to equity	10.3	–	–	13.7	–	–	–	13.7
At 31 December 2015		**1.7**	**(3.2)**	**36.5**	**(10.8)**	**4.1**	**–**	**28.3**

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:

	2015 £m	2014 £m
Share-based payments	**36.5**	21.3
Other items, including accelerated capital allowances	**10.1**	9.0
Deferred tax assets	**46.6**	30.3
Brands	**(10.8)**	(13.8)
Other items, including accelerated capital allowances	**(7.5)**	(4.0)
Deferred tax liabilities	**(18.3)**	(17.8)
Net deferred tax asset	**28.3**	12.5

The Group has recognised deferred tax liabilities of £3.2m (2014: assets of £0.1m) on retirement benefit assets of £18.0m (2014: obligations of £0.5m).

22 Deferred tax (continued)

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

	Accelerated tax depreciation £m	Retirement benefit obligation £m	Share-based payment £m	Other temporary differences £m	Total £m
At 1 January 2014	0.2	(4.7)	11.8	3.4	10.7
(Charge)/credit to profit and loss	(0.1)	(3.5)	1.0	1.1	(1.5)
Credit to other comprehensive income	–	8.3	–	–	8.3
Amounts taken directly to equity	–	–	8.5	–	8.5
At 1 January 2015	0.1	0.1	21.3	4.5	26.0
Credit/(charge) to profit and loss	0.1	(2.2)	1.5	(1.4)	(2.0)
Charge to other comprehensive income	–	(1.1)	–	–	(1.1)
Amounts taken directly to equity	–	–	13.7	–	13.7
At 31 December 2015	**0.2**	**(3.2)**	**36.5**	**3.1**	**36.6**

No deferred tax assets and liabilities have been offset (2014: £nil).

23 Share capital

	2015 £m	2014 £m
Allotted, called up and fully paid		
306,698,805 (2014: 306,460,411) ordinary shares of 10p each	**30.7**	30.6

The Company has one class of ordinary shares which carry no right to fixed income. All issued shares are fully paid. During the year 238,394 ordinary shares (2014: 1,802,151) were issued to employees in satisfaction of share option exercises.

The Company has established Employee Benefit Trusts to hold shares for participants of the Company's various share schemes. The Trustee is Persimmon (Share Scheme Trustees) Limited, a subsidiary company. During 2015, the Trustee transferred 48,763 shares to employees. At 31 December 2015 the trust held 95,123 shares (2014: 143,886) on which dividends have been waived. The market value of these shares at 31 December 2015 was £1,928,143 (2014: £2,270,521).

During the year the Company issued 105,066,803 B shares and 201,458,692 C shares. On 2 April 2015 the B shares were redeemed for consideration of 95p per share and the C shares were reclassified as Deferred shares following payment of a 95p dividend per share. All deferred shares were purchased for an aggregate of 1 penny and subsequently cancelled on 14 April 2015.

Own shares

Own shares held at cost are reconciled as follows:

	Group £m
Balance at 31 December 2014	1.6
Own shares purchased	–
Disposed of on exercise/vesting to employees	(0.5)
Balance at 31 December 2015	**1.1**

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

Group	2015 £m	2014 £m
Increase in net cash and cash equivalents in cash flow	**192.0**	174.1
Net cash at 1 January	**378.4**	204.3
Net cash at 31 December	**570.4**	378.4

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

25 Contingent liabilities

In the normal course of business the Group has given counter indemnities in respect of performance bonds and financial guarantees. Management estimate that the bonds and guarantees amount to £315m (2014: £272m), and confirm that the possibility of cash outflow is considered minimal and no provision is required.

Provision is made for the Directors' best estimate of all known legal claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed, or a sufficiently reliable estimate of the potential obligation cannot be made.

The Company has entered into guarantees of certain financial liabilities of related undertakings as detailed in note 30.

26 Operating leases

At 31 December total outstanding commitments for future minimum lease payments under non-cancellable operating leases were as follows:

Group as lessee	2015 £m	2014 £m
Expiring within one year	**1.1**	0.7
Expiring in the second to fifth years inclusive	**5.0**	7.9
Expiring after five years	**8.0**	9.2
	14.1	17.8
Company as lessee		
Expiring within one year	**0.1**	0.1
Expiring in the second to fifth years inclusive	**0.3**	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 1.2 years to expiry (2014: 1.8 years). Property leases have an average term of 7.7 years to expiry (2014: 6.6 years).

27 Retirement benefit assets/obligations

As at 31 December 2015 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 £1.6m (2014: £1.3m) 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 2012 for the Prowting Scheme. The next funding valuations will be as at 1 January 2017 for the Persimmon Scheme and will be as at 31 March 2015 for the Prowting Scheme (which is in progress). Subsequently valuations will be at intervals of no more than three years thereafter. Following each valuation, the Trustees and the Company must agree the contributions required (if any) to ensure the Pension Schemes are fully funded over time on a suitable prudent measure. Contributions agreed in this manner constitute a minimum funding requirement.

Given the current strength of the Persimmon Scheme's funding (due to recent cash contributions made to the Persimmon Scheme) no deficit contributions are required for that scheme. However £2.2m p.a. is required for the Prowting Scheme payable to 30 April 2018.
In both cases salary related contributions for active members are also payable.

Under the governing documentation of the Pension Schemes, any future surplus in either scheme would be returnable to the Group by refund, assuming gradual settlement of the liabilities over the lifetime of the schemes. As a result the Group does not consider there to be an asset ceiling in respect of the Pension Schemes.

The Group has determined that in accordance with the rules of the Pension Schemes the present value of refunds or reductions in future contributions is not lower than the balance of the fair value of funding obligations. As such no decrease in the defined benefit asset was necessary.

27 Retirement benefit assets/obligations (continued)

Regulation

The UK pensions market is regulated by The Pensions Regulator whose key statutory objectives in relation to UK defined benefit plans are:

- to protect the benefits of members
- to promote, and to improve understanding of good administration
- to reduce the risk of situations arising which may lead to compensation being payable from the Pension Protection Fund (PPF)

The Pensions Regulator has sweeping powers including the powers:

- to wind up a scheme where winding up is necessary to protect members' interests
- to appoint or remove a trustee
- to impose a schedule of company contributions or the calculation of the technical provisions where a trustee and company fail to agree on appropriate contributions
- to impose a contribution where there has been a detrimental action against a scheme

Risks associated with the Pension Schemes

The Pension Schemes expose the Group to a number of risks, the most significant of which are:

Risk	Description
Volatile asset returns	The defined benefit obligation (DBO) is calculated using a discount rate set with reference to corporate bond yields. If assets underperform this discount rate, this will create an element of deficit. The Pension Schemes hold a significant proportion (c. 50%) of assets in growth assets (such as equities) which, although expected to outperform corporate bonds in the long term, create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the Pension Schemes' long term objectives.
Changes in bond yields	A decrease in corporate bond yields will increase the value placed on the DBO for accounting purposes, although this will be partially offset by an increase in the value of the Pension Schemes' bond holdings.
Inflation risk	A significant proportion of the DBO is indexed in line with price inflation and higher inflation will lead to higher liabilities (although, in most cases, this is capped at an annual increase of 5%).
Life expectancy	The majority of the Pension Schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

There are a number of other risks of running the Pension Schemes including operational risks (such as paying out the wrong benefits), legislative risks (such as the Government increasing the burden on pension through new legislation) and other demographic risks, such as a higher proportion of members having a dependant eligible to receive a survivor's pension.

Net Pension Asset/(Liability)

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

	2015 £m	2014 £m
Fair value of Pension Scheme assets	**512.0**	506.3
Present value of funded obligations	**(494.0)**	(506.8)
Net pension asset/(liability)	**18.0**	(0.5)

A deferred tax liability totalling £3.2m (2014: asset of £0.1m) has been recognised on the balance sheet in relation to the net pension asset/liability.

27 Retirement benefit assets/obligations (continued)

Movements in the net pension (liability)/asset on the balance sheet were as follows:

	2015 £m	2014 £m
As at 1 January	**(0.5)**	23.5
Total gain/(loss) recognised in the period	**3.6**	(43.9)
Company contributions paid in the period	**14.9**	19.9
Net pension asset/(liability)	**18.0**	(0.5)

The Company does not present valuations of its own separate assets and liabilities under the Pension Schemes as the entire net assets/(liabilities) 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:

	2015 £m	2014 £m
Current service cost	**3.0**	2.8
Administrative expense	**0.9**	1.1
Pension cost recognised as operating expense	**3.9**	3.9
Interest cost	**17.9**	18.6
Return on assets recorded as interest	**(17.9)**	(20.2)
Pension cost recognised as net finance credit	**–**	(1.6)
Total defined benefit pension cost recognised in profit or loss	**3.9**	2.3
Remeasurement (gains)/losses recognised in other comprehensive income/(expense)	**(7.5)**	41.6
Total defined benefit scheme (gain)/loss recognised	**(3.6)**	43.9

Assets

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

	2015 £m	2014 £m
Equity		
– UK	**99.1**	100.0
– US	**72.0**	68.4
– Eurozone	**44.8**	40.2
– Other	**33.6**	33.0
Bonds		
– Government	**92.6**	93.6
– Investment Grade corporate bonds	**18.0**	27.6
– sub–investment grade	**63.1**	40.7
Asset backed funding	**50.0**	53.1
Diversified Growth Fund	**32.8**	32.4
Cash	**6.0**	17.3
Total	**512.0**	506.3

All assets have a quoted market value in an active market, with the exception of Asset backed funding of £50.0m (2014: £53.1m), which related to secured cash flows.

The Persimmon Scheme holds 93% (2014: 94%) of the gross assets of the Pension Schemes and 94% (2014: 94%) of the gross liabilities. The remainder relates to the Prowting Scheme.

27 Retirement benefit assets/obligations (continued)

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

	2015 £m	2014 £m
As at 1 January	**506.3**	456.8
Return on assets recorded as interest	**17.9**	20.2
Remeasurement (losses)/gains on assets	**(7.4)**	25.6
Contributions	**14.9**	19.9
Benefits and expenses paid	**(19.7)**	(16.2)
As at 31 December	**512.0**	506.3

Defined Benefit Obligation

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

	2015 % p.a.	2014 % p.a.
Discount rate	**3.7**	3.6
General pay increases	**3.0**	3.1
RPI Inflation assumption	**3.0**	3.1
CPI Inflation assumption	**1.9**	2.0

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

	2015 Years	2014 Years
Male current pensioner	**23.1**	23.0
Male future pensioner	**24.3**	24.9

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.

	2015 £m	2014 £m
Total value of current employees' benefits	**65.5**	68.0
Deferred members' benefits	**182.2**	190.2
Pensioner members' benefits	**246.3**	248.6
Total defined benefit obligation	**494.0**	506.8

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:

	2015 £m	2014 £m
As at 1 January	**(506.8)**	(433.3)
Current service cost	**(3.0)**	(2.8)
Interest cost	**(17.9)**	(18.6)
Remeasurement gains/(losses) on liabilities	**14.9**	(67.2)
Benefits paid	**18.8**	15.1
As at 31 December	**(494.0)**	(506.8)

27 Retirement benefit assets/obligations (continued)

Sensitivities

The key assumptions used for IAS 19 are: discount rate, inflation and mortality. If different assumptions were used, this could have a material effect on the results disclosed. The sensitivity of the results to these assumptions is as follows.

	2015 £m	2014 £m
Present value of defined benefit obligation (DBO)	494.0	506.8
– DBO following a 0.25% decrease in the discount rate	514.7	528.2
– DBO following a 0.25% increase in the discount rate	474.2	486.5
– DBO following a 0.25% decrease in the inflation assumption	484.2	496.0
– DBO following a 0.25% increase in the inflation assumption	505.4	518.0
– DBO following a 1 year decrease to life expectancy	478.6	492.6
– DBO following a 1 year increase to life expectancy	509.2	521.0

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

28 Partnership Liability to the Persimmon Plc Pension & Life Assurance Scheme

Persimmon Scottish Pension Trustees Limited, a wholly owned Group subsidiary, is general partner in Persimmon Scottish Limited Partnership ('the Partnership'). Persimmon Plc Pension & Life Assurance Scheme ('the Persimmon Scheme') is a limited partner. As such the Partnership is included in the consolidated results of the Group. The Partnership has taken advantage of the exemptions in the Partnerships (Accounts) regulations 2008 not to file separate accounts on this basis.

The terms of the Persimmon Scheme's interest in the Partnership give the pension scheme obligatory rights to cash returns but insignificant operational control over the Partnership. As such the interest has been classified as a financial liability and is accounted for on an amortised cost basis.

Under IAS 19 the partnership interest of the Persimmon Scheme is included within the UK pension scheme assets. For further details see note 27.

The Partnership is the beneficial owner of a bond secured on a proportion of the Group's available for sale financial assets and guaranteed by Persimmon Plc, which will support the Partnership investment return to the Persimmon Scheme.

29 Share-based payments

The Group operates a number of share option schemes, the details of which are provided below. All schemes are equity settled.

The Savings-Related Share Option Scheme is an HMRC approved scheme open to all permanent employees. Options can normally be exercised three years after the date of grant.

Options have been issued to senior management (including the Executive Directors) under the Group's various executive share option schemes, which include awards under the Group's long term incentive plans. Future vesting of options is dependent upon return of cash to shareholders in line with the Capital Return Plan announced on 28 February 2012 for options granted in 2012, 2013, 2014 and 2015.

Options granted under the Persimmon Long Term Incentive Plan 2007 ('2007 LTIP') between September 2010 and September 2011 consisted of unapproved awards and HMRC approved awards where appropriate, with an exercise price equivalent to market value on the date of the award, plus a linked award. In the event that the market price of a share at the date of exercise of an approved option exceeds the option price, then the value of the linked award that vests is restricted to an amount capped at the cost of exercise of the approved option.

29 Share-based payments (continued)

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

Group and Company	2015 Savings-Related Share Option Scheme		2014 Savings-Related Share Option Scheme	
	Number of shares under option	Weighted average exercise price (p)	Number of shares under option	Weighted average exercise price (p)
Outstanding at the beginning of the year	937,126	883.5	1,198,188	512.8
Granted during the year	265,025	1,667.0	477,375	1,080.0
Forfeited during the year	(115,735)	(980.1)	(128,408)	(633.6)
Exercised during the year	(200,859)	(526.8)	(610,029)	(361.7)
Outstanding at the end of the year	885,557	1,186.3	937,126	883.5
Exercisable at the end of the year	54,026	598.0	63,589	365.0

Group and Company	2015 Bonus Share Scheme Number of shares under option	2014 Bonus Share Scheme Number of shares under option
Outstanding at the beginning of the year	74,128	79,569
Granted during the year	59,885	50,728
Exercised during the year	(48,763)	(56,169)
Outstanding at the end of the year	85,250	74,128
Exercisable at the end of the year	–	–

Group and Company	2015 Long Term Incentive Plan 2007 Non HMRC Approved Number of shares under option	2014 Long Term Incentive Plan 2007 Non HMRC Approved Number of shares under option
Outstanding at the beginning of the year	48,309	1,157,556
Forfeited during the year	(15,583)	(206,376)
Exercised during the year	(16,781)	(902,871)
Outstanding at the end of the year	15,945	48,309
Exercisable at the end of the year	15,945	48,309

Group and Company	2015 Long Term Incentive Plan 2007 HMRC Approved		2014 Long Term Incentive Plan 2007 HMRC Approved	
	Number of shares under option	Weighted average exercise price (p)	Number of shares under option	Weighted average exercise price (p)
Outstanding at the beginning of the year	31,159	433.2	340,523	440.3
Forfeited during the year	–	–	(13,688)	(438.3)
Exercised during the year	(20,754)	(433.6)	(295,676)	(441.1)
Outstanding at the end of the year	10,405	432.5	31,159	433.2
Exercisable at the end of the year	10,405	432.5	31,159	433.2

29 Share-based payments (continued)

Group and Company	2015 Long Term Incentive Plan 2012* Number of shares under option	2014 Long Term Incentive Plan 2012* Number of shares under option
Outstanding at the beginning of the year	**25,166,974**	26,039,624
Granted during the year	**2,811,436**	1,281,446
Forfeited during the year	**(1,912,131)**	(2,154,096)
Outstanding at the end of the year	**26,066,279**	25,166,974
Exercisable at the end of the year	**1,163,190**	–

* Under 2012 LTIP grants the option exercise price is variable dependent on share price at the date of award and the performance condition being return of cash to shareholders.

The weighted average share price at the date of exercise for share options exercised during the period was 1,816.1p (2014: 1,384.8p). The options outstanding at 31 December 2015 had a range of exercise prices from nil to 2,003.0p and a weighted average remaining contractual life of 5.9 years (2014: 6.8 years).

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

	LTIP 2012 Tranche 7	LTIP 2012 Tranche 8	LTIP 2012 Tranche 9	SAYE 2015
Grant date	26 February 2015	11 March 2015	5 October 2015	1 October 2015
Risk free interest rate*	0.63% – 1.37%	0.63% – 1.37%	0.62% – 1.33%	0.79%
Exercise price*	£12.09 – £16.59	£12.27 – £16.77	£16.23 – £20.03	£16.67
Share price at date of grant	£16.63	£16.81	£20.48	£20.36
Expected dividend yield	4.2%	4.2%	3.0%	3.0%
Expected life*	3 – 6 years	3 – 6 years	3 – 6 years	3 years
Date of vesting*	December 2015 – December 2021	December 2015 – December 2021	December 2015 – December 2021	December 2018
Expected volatility	30%	30%	30%	30%
Fair value of option*	£1.58 – £3.39	£1.58 – £3.39	£2.04 – £4.43	£1.97

* Exercise price, expected life and date of vesting are all variable under the 2015 LTIP grants, dependent on performance of the key condition of dividend payment. The Group has calculated fair values applicable at each of the key assessment dates.

Expected volatility was determined by calculating the historic volatility of the Group's share price over various timescales.

The expected life used in the model has been adjusted, based on best estimates, to reflect exercise restrictions and behavioural considerations.

In 2015, the Group recognised total expenses before tax of £11.2m (2014: £10.2m) in relation to equity settled share-based payment transactions in the consolidated statement of comprehensive income. These option charges have been credited against the retained earnings reserve. As at 31 December 2015 the total credit recognised in relation to equity settled share-based payments was £29.7m (2014: £19.4m) of which £0.1m (2014: £1.1m) 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 56 to 71. There is no difference between transactions with key management personnel of the Company and the Group.

During the prior year Nigel Greenaway, an Executive Director of the Company, exchanged contracts to purchase a property from a subsidiary for a value of £925,000. This transaction was supported by independent valuations and was approved by the shareholders at the AGM held on 16 April 2014. The transaction is anticipated to complete in 2016.

The Company has entered into transactions with its subsidiary undertakings in respect of the following: internal funding loans and provision of Group services (including senior management, IT, accounting, marketing, purchasing, legal and conveyancing services). Recharges are made to subsidiary undertakings for Group loans, based on funding provided, at an interest rate linked to average Group borrowing costs. No recharges are made in respect of balances due to or from otherwise dormant subsidiaries. Recharges are made for Group services based on utilisation of those services.

During the year these recharges amounted to:

	2015 £m	2014 £m
Interest (charges)/income on intra-group funding	**(1.8)**	2.5
Group services recharges	**43.4**	38.5
	41.6	41.0

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 2015 totalled £1,008.7m (2014: £854.9m). Amounts owed to subsidiary undertakings by the Company at 31 December 2015 totalled £3,310.1m (2014: £3,178.7m).

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 2015 is £50.0m (2014: £53.1m).

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 2015 was £nil (2014: £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 2015 was £nil (2014: £nil).

The Company has suffered £nil expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2014: £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 2015. All of these companies are registered in England. All voting rights are held by companies within the Group. A full list of subsidiary undertakings and jointly controlled entities can be found in note 32.

Major subsidiary undertakings

Persimmon Homes Limited°	Charles Church Developments Limited∆	
Persimmon Holdings Limited*	Persimmon Shared Equity Limited**	Persimmon Scottish Limited Partnership***

° The shares of this company are held by Persimmon Holdings Limited and Persimmon Plc.
∆ 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).

32 Details of all subsidiary undertakings

Persimmon Group subsidiary companies

The following companies, included in these consolidated accounts, are wholly owned by the Persimmon Group and are incorporated in the UK unless otherwise stated. Persimmon plc or its subsidiary companies also hold all of the voting rights unless otherwise stated.

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	Ordinary*
Anjok 172 Limited	Ordinary*
Anjok 173 Limited	Ordinary*
Anjok 269 Limited	Ordinary* and Deferred*
Anjok 28 Limited	Ordinary* and 8% Preference*
Anjok 31 Limited	Ordinary*
Anjok Five (1996) Limited	Ordinary*
Anjok Holdings Limited	Ordinary* and Deferred*
Anjok Twenty Limited	A Ordinary* and B Ordinary*
Anjok Two Limited	Ordinary*
Aria Homes Limited	A Ordinary* and B Ordinary*
Arthur S Nixon and Company	1% Non-Cumulative Preference* and Ordinary*
Aspect Homes Limited	Ordinary*
Atlantis One Limited	Ordinary* and Preference*
Beazer Group Limited	Ordinary*
Beazer Homes (Anglia) Limited	Deferred* and A Ordinary*
Beazer Homes (Barry) Limited	Ordinary*
Beazer Homes (FLE) Limited	A Ordinary* and B Ordinary*
Beazer Homes (FNLHS) Limited	Ordinary*
Beazer Homes (South Wales) Limited	Ordinary*
Beazer Homes (Wessex) Limited	Ordinary*
Beazer Homes and Property Limited	Ordinary*
Beazer Homes Bedford Limited	Deferred* and A Ordinary*
Beazer Homes Birmingham Central Limited	Deferred* and A Ordinary*
Beazer Homes Bridgwater Limited	Deferred* and A Ordinary*
Beazer Homes Bristol Limited	Deferred* and A Ordinary*
Beazer Homes Cardiff Limited	Deferred* and A Ordinary*
Beazer Homes Doncaster Limited	Deferred* and A Ordinary*
Beazer Homes Edinburgh Limited	Deferred* and A Ordinary*
Beazer Homes Glasgow Limited	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	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	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*
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
Cresswellshawe Properties Limited	Ordinary* and 3.5% Preference*
Crowther Homes (Darlington) Limited	Ordinary*
Crowther Homes (Midland) Limited	Ordinary*
Crowther Homes (Nat W) Limited	Ordinary*
Crowther Homes (Yarm) Limited	Ordinary*
Crowther Homes Limited	Ordinary*
D Dunk (Builders) Limited	Ordinary*
D R Dunthorn & Son Limited	Deferred*, Deferred* and Ordinary*
Datblygwyr Dorothea Limited (94% of nominal value owned)	Ordinary*

32 Details of all subsidiary undertakings (continued)

Name of undertaking	Description of shares held
Delany Brothers (Housebuilders) Limited	Ordinary* and Preference*
Domus Group Limited	Deferred*, Deferred* and A Ordinary*
E.E. Reed & Co. (Builders) Limited	Ordinary*
E F G H Limited	Ordinary*
E F G H Nominees Limited	Ordinary*
Emerson Park Limited	Ordinary*
F C Spear Limited	Ordinary*
Ferry Quay Developments Limited	A Ordinary*, B Ordinary* and C Ordinary*
Frays Property Management (No.1) Limited	Ordinary*
Frays Property Management (No.2) Limited	Ordinary*
Frays Property Management (No.6) Limited	Ordinary*
Friary Homes Limited	Ordinary*
Galliford Developments Limited	Ordinary*
Galliford Homes (London) Limited	A Ordinary* and B Ordinary*
Galliford Homes Holdings Limited	A Ordinary*, B Ordinary* and Preference*
Galliford Homes Limited	Ordinary*
Galliford Properties Southern Limited	Ordinary*
Galliford Southern Limited	Ordinary*
Geo. Wright & Co. (Contractors Wolverhampton) Limited	Deferred*, A Deferred* and A Ordinary*
Glamford Building Company Limited	Ordinary*
Gomersal Mills Limited	Deferred* and Ordinary*
Gosforth Business Park Management Company (No.2) Limited	Ordinary*
Haven Retirement Homes Limited	Ordinary*
Hazels Development Company Limited	A Ordinary* and B Ordinary*
Hillreed Developments Limited	Ordinary*
Hillreed Holdings Limited	Ordinary*, Management Shares* and Cumulative Preference*
Hillreed Homes Limited	Ordinary*
Hillreed Properties Limited	Ordinary*
Ideal Developments Limited	Ordinary*
Ideal Homes (UK) Limited	Ordinary*
Ideal Homes Anglia Limited	Ordinary*

Name of undertaking	Description of shares held
Ideal Homes Central Limited	A Non Voting Ordinary* and B Ordinary*
Ideal Homes Holdings Limited	Deferred and Ordinary
Ideal Homes Limited	Ordinary*
Ideal Homes Midlands Limited	Ordinary*
Ideal Homes North West Limited	Ordinary*
Ideal Homes Northern Limited	Ordinary*
Ideal Homes Scotland Limited	Ordinary*
Ideal Homes Services Limited	Ordinary*
Ideal Homes Southern Limited	Ordinary*
J.W. Liptrot & Company Limited	Ordinary*
Jaboulet Limited	Ordinary*
John Maunders Group Limited	Ordinary*
Kenton Contracting (Yorkshire) Limited	Ordinary*
Kenton Contractors (Yorkshire) Limited	Ordinary*
Kenton Homes (Builders) Limited	Ordinary*
Kenton Homes (Developments) Limited	Ordinary*
Kenton Homes (Estates) Limited	Ordinary*
Knightsmoor Homes Limited	Ordinary*
Lady's Lane Property Co. Limited	Ordinary*
Lansdown Homes Limited	Ordinary*
Lazy Acre Investments Limited	Ordinary*
Leech Homes (Showhouses) Limited	Ordinary*, 0.1% Non-Cumulative Preference A* and 1% Non-Cumulative Preference B*
Leech Homes (Wales) Limited	Ordinary*
Leech Homes (Yorkshire) Limited	Ordinary*
Leech Homes Limited	Deferred* and A Ordinary*
Leech Northumbria Limited	Ordinary*
Leech Partnership Homes Limited	Ordinary*
Leisurama Homes Limited	Ordinary*
Linkway Properties Limited	Ordinary*
Locking Castle Limited	A Ordinary*, B Ordinary* and C Ordinary*
Magnus Design Build Limited	Ordinary*
Magnus Holdings Limited	A Ordinary*, B Ordinary*, C Ordinary*, Enduring Ordinary* and Cumulative Redeemable Preference*

Name of undertaking	Description of shares held
Mapleleigh Limited	Ordinary*
Marriott Homes Limited	Ordinary*
Maunders Homes (East Anglia) Limited	Ordinary*
Maunders Homes (Midlands) Limited	Ordinary*
Maunders Homes (North West) Limited	Ordinary*
Maunders Homes (South) Limited	Ordinary*
Maunders Inner City Limited	Ordinary*
Maunders Urban Renewal Limited	Ordinary*
Mayclose Research Limited	Ordinary*
Melville Homes Limited	A Ordinary*, B Ordinary*, C Ordinary*, Deferred* and Cumulative Redeemable Preference*
Merewood (Kendal) Limited	Ordinary*
Merewood Group Limited	Ordinary*
Merewood Homes Limited	Ordinary*
Merewood Investments Limited	Ordinary*
Mightover Limited	Ordinary
Milton Keynes Housing Group Limited	Ordinary*
Mitrebuild Limited	Ordinary* and Deferred Ordinary*
Monk Homes Limited	Ordinary*
Monsell Youell Construction Limited	Ordinary*
Monsell Youell Limited	Deferred* and A Ordinary*
Montague Developments Limited	Ordinary*
Mount Row Finance Limited	Ordinary*
Mount Row Securities Limited	Ordinary*
Pacemaker Developments Limited	Ordinary*
Park House Developments (Petersfield) Limited	Ordinary*
Partnership Homes Limited	Ordinary*
Pennant Developments Limited	Ordinary* and 5% Non-Cumulative Preference*
Pentra Limited	Ordinary*
Perlease Limited	Ordinary*
Persimmon (City Developments) Limited	Ordinary*
Persimmon (Eccleshall) Limited	Ordinary*
Persimmon (Share Scheme Trustees) Limited	Ordinary
Persimmon (SHL) Limited	Ordinary*

32 Details of all subsidiary undertakings (continued)

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

32 Details of all subsidiary undertakings (continued)

Name of undertaking	Description of shares held
Westbury Homes (Holdings) Limited	Irredeemable Preference*, Ordinary*, Deferred* and 9.25% Preference*
Westbury Homes (Midlands) Limited	Ordinary*
Westbury Homes (Oval) Limited	Ordinary*
Westbury Homes (Severnside) 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. Registered Office: 180 Findochty Street, Garthamlock, Glasgow, G33 5EP

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)	Bearer Shares	50%	50%
Balvil – Gestao de Empreendimentos Turisticos Lda (Incorporated in Portugal)	Ordinary	50%	50%
Beechpath Limited	Ordinary	50%	50%
Bentwaters Housing Limited	Ordinary	50%	50%
Bentwaters Nominees Limited	Ordinary	50%	50%
Brentford Lock Limited	A Ordinary	100%	50%
Cramlington Developments Limited	A Ordinary	100%	50%
Empreendimentos Turisticos da Armacao Nova Lda (Incorporated in Portugal)	Ordinary	50%	50%
Genesis Estates (Manchester) Limited	Ordinary	50%	50%
Gosforth Business Park Management Company Limited	A Ordinary	100%	33.3%
Haydon Development Company Limited	Ordinary	20.5%	20.5%
Leebell Developments Limited	A Ordinary	100%	50%
Newcastle Great Park (Estates) Limited	A Ordinary	100%	50%
North Haven Developments (Sunderland) Limited	B Ordinary	100%	50%
North Swindon Development Company Limited	Ordinary	15%	15%
Oxfordshire Land Limited	Ordinary	33.3%	33.3%
Quedgeley Urban Village Limited	C Ordinary	100%	25%
Rothley Temple Estates Limited	Ordinary	28.5%	28.5%
SCI 53 Rue Joliot Curie (Incorporated in France)	Participation	42.5%	42.5%
SCI Le Domaine de Vaires (Incorporated in France)	Participation	47.5%	47.5%
SCI Les Jardins Parisiens (Incorporated in France)	Participation	44%	44%
SF 3038 Limited	Ordinary	25%	25%
Sociedade Torre de Marinha Realizacoes Turisticas SA (Incorporated in Portugal)	Ordinary	50%	50%
The Greenlaw Development Company Limited	Ordinary	14.3%	14.3%
Trafalgar Metropolitan Homes Limited	A Ordinary	100%	50%
Triumphdeal Limited	Ordinary	50%	50%
Varandatur LDA (Incorporated in Portugal)	Ordinary	50%	50%
Wick 3 Nominees Limited	B Ordinary	100%	33.3%

32 Details of all subsidiary undertakings (continued)

Residents Management Companies

The companies listed below are Residents Management Companies (RMCs) currently controlled by the Group. Control is exercised by the Group's power to appoint Directors and the Group's voting rights in these companies. All RMCs are companies limited by guarantee without share capital (unless otherwise stated) and incorporated in the UK.

The capital, reserves and profit or loss for the year has not been stated for these RMCs as beneficial interest in any assets or liabilities of these companies is held by the residents. These companies have not been included in the consolidated accounts, are temporary members of the Group and will be handed over to residents in due course.

Company Name
Abbey Green (Amesbury) Management Company Limited
Abbotswood (Maidstone) Management Company Limited
Ackton Pastures (Castleford) Management Company Limited
Agusta Park Yeovil Management Company Limited
Aldenham Road (Bushey) Management Company Limited
Amherst Hill (Brompton) Management Company Limited
Arisdale (Phase 2) Residents Management Company Limited
Arisdale Place (South Ockendon) Management Company Limited
Armstrong House (Farnborough) Residents Management Company Limited
Ashley Down Road Management Company Limited
Ashley Heights Management Company Limited
Attlee Way (Sittingbourne) Residents Management Company Limited
Aurora (Portishead) Management Company Limited
Aveley Village (Thurrock) Management Company Limited
Aviation House (Farnborough) Residents Management Company Limited
Avon Fields (Durrington) Management Company Limited
Awel Y Coed Management Company Limited
Azure (Portishead) Management Company Limited
Azure 2 Management Company Limited
Badbury Park (Swindon) Management Company Limited
Badbury Park (Swindon) No 2 Management Company Limited
Bannerbrook Management Company Limited
Barley Fields (Alton) Management Company Limited
Beaumont Park (Blandford) Management Company Limited
Beckets Grove Management Company Limited
Beckets Grove Phase 2 (Wymondham) Residents Management Company Limited
Beckford Road (Alderton) Management Company Limited
Belgrave Court (Cheltenham) Management Company Limited
Bell Lane (Little Chalfont) Management Company Limited
Bellaport Gardens (Harrington) Management Company Limited
Belle Fields Management Company Limited
Bells Hill Management Company Limited
Berrow Court Management Company Limited
Binley Place Management Company Limited
Bishops Grove (Lamphey) Management Company Limited
Blenheim Park (Bracknell) Management Company Limited
Blossom Meadows (Buttershaw) Management Company Limited

Company Name
Bluebell Meadow (Bradwell) Management Company Limited
Bolham Rise (Retford) Management Company Limited
Brackenleigh (Carlisle) Management Company Limited
Braeburn Gardens (Bures) Management Company Limited
Bramblewood (Old Basing) Residents Management Company Limited
Brazen Plain (Norwich) Management Company Limited
Bridgefield (Ashford) Management Company Limited
Bridgefield Nine Management Company Limited
Brislington House Management Company Limited
Brook View (Blackburn) Management Company Limited
Brookfields (Iwade) Residents Management Company Limited
Bryngwyn Village Management Company Limited
Bugbrooke Management Company Limited
Bugbrooke Road (Kislingbury) Management Company Limited
Butlers Court (Smethwick) No 1 Management Limited
Buttercup Leys (Boulton Moor) Residential Management Company Limited
Bysshop Meadow Management Company Limited
Canalside (Burton Upon Trent) Residential Management Company Limited
Canney Hill Management Company Limited
Cape Hill Management Company Limited
Carleton Meadows Management Company Limited
Castle Green (Shotton) Management Company Limited
Castleton Court (Haverfordwest) Management Company Limited
Cathedral Gate (Salisbury) No.1 Management Company Limited
Cathedral Gate (Salisbury) No.2 Management Company Limited
Central Square (Stroud) Management Company Limited
Chancery Fields (Chorley) Management Company Limited
Chapel Heights (High Wycombe) Management Company Limited
Chapel Heights Management Company Limited
Chasewood View Management Company Limited
Cheltenham Road (Evesham) Management Company Limited
Chilmark Glade Management Company Limited
Chilworth Park (Haddenham) Management Company Limited
Chosen View (No. 2) Management Company Limited
Chosen View Management Company Limited
Church Lane (Deal) Residents Management Company Limited
Church Meadows (Great Broughton) Management Company Limited
Clarence Place (Bracknell) Residents Management Company Limited
Cloatley Cresent 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
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
Coton Park Consortium Limited*
Cranborne Heights Management Company Limited

32 Details of all subsidiary undertakings (continued)

Company Name
Cranbrook Limited
Crosland Road (Lindley) Management Limited
Cross Quays (Westwood) Management Company Limited
Crystal Mead Management Company Limited
Cumnor Hill Management Company Limited
Curtiss House (Farnborough) Residents Management Company Limited
Cuxton (Medway Gate) Management Company Limited
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
Davyhulme Management Company Limited
Douglas House (Farnborough) Residents Management Company Limited
Duffryn Glas (Hawthorn) Management Company Limited
Dyffryn Management Limited
Earlesmead (Framingham Earl) Residents Management Company Limited
Ebley Wharf Management Company (Number 3) Limited
Eden Grange (Peterlee) Management Company Limited
Ellis Mews (Micheldever) Management Company Limited
Elmbridge Gardens Management Company Limited
Elmwood Park Court (NGP) Management Company Limited
Elworth Park Management Company Limited
Emerald Gardens (Yapton) Management Company Limited
Emersons Green Urban Village Limited*
Emily Fields (Swansea) Management Company Limited
Emily Fields Apartments (Swansea) Management Company Limited
Eversfield (Uckfield) Management Company Limited
Fairways (Retford) Management Company Limited
Farley Fields South Petherton Management Company Limited
Feethams Green (Darlington) Management Company Limited
Fellowes Plain Estate Management Company Limited
Furzefield Management Company Limited
Gales Park Management Company Limited
Garden Valley (Aylesham) Residents Management Company Limited
Glan Yr Avon (Swansea) Management Company Limited
Goodyear Management Company No 2 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
Green Pastures (Holton-le-Clay) Management Company Limited
Greenacres (Compton) Management Company Limited
Greenacres (Diss) 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
Hanbury Park (Uxbridge) Management Company Limited
Harleys Place (Bagworth) Management Co Ltd
Harlow Fields (Mackworth) Residential Management Company Limited

Company Name
Harrington Road (Desborough) Management Company Limited
Hartcliffe Meadows (Penistone) Management Company Limited
Harvest Gate (Totton) Management Company Limited
Haven Village Management Limited*
Haywards Gardens (Kegworth) Man Co. Limited
Haywood Heights (Writhlington) Management Company Limited
Hazel Brook Management Company Limited
Hazeldene (Ingleby Barwick) Management Company Limited
Hazelmere Court (Bedlington) Management Company Limited
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 Park (Shinfield) Residents Management Company Limited
Herne Vale Ilminster Management Company Limited
Highcliffe View (Guisborough) Management Company Limited
Hill Barton Vale Exeter Management Company Limited
Holmewood (Littleport) Management Company Limited
Hornchurch Square Farnborough Residents Management Company Limited
Horseshoe Meadows (Westbury) 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
Imperium Gate Management Company Limited
Ingleby (Barwick) Management Company Limited
Iwade Meadows (Iwade) Management Company Limited
Iwade Meadows (Yalding Apartments Plots 74-79) Management Company Limited
Iwade Meadows (Yalding Apartments Plots 92-97) Management Company Limited
Jasmine Gardens (Residential Management Company) Limited
Jasmine Gardens Management Company Limited
Jennett's Park (H18/H19) – Phase 2 Management Company Limited
Jennett's Park (H18/H19) Management Company Limited
Kendall Heights Management Company Limited
Kings Grove Cranbrook Management Company Limited
Kings Quarter Management Company Limited
Kingsbridge Court (Gorseinon) Management Company Limited
Kingsbridge Fields Management Company Limited
Kingsmead (Gloucester) Management Company Limited
Kingston House (Edinburgh) Management Company Limited
Knoll Lane (Ashford) Management Company Limited
Lauder Mews Crediton Management Company Limited
Launds Field (Galgate) Management Company Limited
Laureate Heights Sidmouth Management Company Limited
Life Squared Management Company Limited
Lingfield Meadows (Houghton) Management Company Limited
Llys Meredith (Swansea) Management Company Limited
Longleaze Management Company Limited
Low Street (Sherburn in Elmet) Management Company Limited

32 Details of all subsidiary undertakings (continued)

Company Name
Lowen Bre Truro Management Company Limited
Lythalls Lane (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 Residents Company Ltd
Manor Park Sprowston Residents Management Company Limited
Maple (128) Limited
Maple (129) Limited
Maple (221) Limited
Maple (232) Limited
Marbourne Chase (Lane End) Management Company Limited
Marlborough House (Tidworth) Management Company Limited
Marshfoot Lane (Hailsham) Residents Management Company Limited
Marston Grange Management Company Limited
Martello Park (Pembroke) Management Company Limited
Martineau Gardens Harborne Management Company Limited
Mayfields (South Kirkby) Management Company Limited
Meadow Croft (Hipperholme) Management Company Limited
Meadow View (Oundle) Management Company Limited
Meadowbrook Gardens (Ossett) Management Company Limited
Medstead Farm (Four Marks) Management Company Limited
Merchants Quay (Portishead) Management Company Limited
Merchants Walk Cullompton No 2 Management Company Limited
Mere's Edge Management Limited
Middlebrook View Management Limited
Mill View (Willingdon) Management Company Limited
Millers Croft (Edenbridge) Management Company Limited
Mitchells Brook Management Limited
Moat House Fields (Marston Green) Management Limited
Monarchs Chase (Fulwood) Management Company Limited
Montague Park Residents Management Company Limited
Montford Place (Odiham) Management Company Limited
Montfort Place (Odiham) Management Company Limited
Moorlands (Pickering) Management Company Limited
Morewood Close (Sevenoaks) Management Company Limited
Mount Pleasant (Hatfield) Management Company Limited
MPS Residents Management Company Limited
Mulberry Grove (St Fagans Cardiff) Management Company Limited
Nautica Management Company Limited
Neave Place (Romford) Management Company Limited
Neave Place Phase II (Romford) Management Company Limited
New Road (Great Bridge) Management Limited
Newcastle Great Park Management Company Limited*
Newlands Park (Dearham) Management Company Limited
NGP Management Company (Cell F) Limited*
NGP Management Company (Commercial) Limited*
NGP Management Company (Town Centre) Limited*
NGP Management Company Residential (Cell C) Limited*
NGP Management Company Residential (Cell G) Limited*

Company Name
Nightingale Gardens (Colchester) Management Company Limited
Nightingale Gardens (Nr1 And Nr3) Residents Management Company Limited
Oakland Gardens (Wilthorpe) Management Company Limited
Oakwood Farm (Sevenoaks) Management Company Limited
Oakwood Park (Wymondham) Residents Management Company Limited
Old Road (Churwell) Management Company Limited
Old School Drive (Wheathampstead) Management Company Limited
Orchard Leaze Management Company Limited
Oxley Park (Scissett) Management Company Limited
Oxley Springs (Milton Keynes) Management Company Limited
Oxley Springs 8b (Milton Keynes) Management Company Limited
Palmerston Heights Plymouth Management Company Limited
Parkside (Cosham) Management Company Limited
Pavilion Gardens (Monkton Heathfield) Management Company Limited
Pear Tree Gardens (Bamber Bridge) Management Company Limited
Pellings Wood Management Limited
Persimmon Court Phase 6 (Leighton Buzzard) Management Company Limited
Persimmon Heights (Worcester) Management Company Limited
Phoenix Place (North Hykeham) Management Company Limited
Picket 20 Management Company Limited
Pointers Way (Redditch) 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
Priory Walk Management Company Limited
Quantum (Grays) Management Company Limited
Quartz (Berryfields Aylesbury) Management Company Limited
Queensgate Farnborough Residents Management Company Limited
Radstone Road (Brackley) Management Company Limited
Regency Gardens (Wath) Management Company Limited
Renaissance 2 (Cambridge) Management Company Limited
Repton Park (13b) Management Company Limited
Repton Park (16) Management Company Limited
Repton Park (26) Management Company Limited
Repton Park (28) Management Company Limited
Repton Park (30) Management Company Limited
Ringley Road (Horsham) Residents Management Company Limited
Riverbourne Fields Management Company Limited
Riverside Point (Warrington) Management Company Limited
Rooley Park (Bradford) Management Company Limited
Roseberry Park (Pelton) Management Company Limited
Rounton Place (Watford) Management Company Ltd
Saltram Meadow Plymouth Management Company Limited
Saxon Gate (Chelmsford) Management Company Limited
Scholars Gate (Royston) Management Company Limited
Scholars Green (Wigton) Management Company Limited
Scholar's Place (Littlemore) Management Company Limited
Scholars Rise (Stokenchurch) Management Company Limited
Scholars Walk (Melksham) Management Company Limited
Seaside Lane (Easington) Management Company Limited

32 Details of all subsidiary undertakings (continued)

Company Name
Seaview Apartments (Machynys) Management Company Limited
Sherborne Fields (Basingstoke) Management Limited
Sherborne Fields Apartments Ph3 (Basingstoke) Management Limited
Shorelines (Portishead) Management Company Limited
Smallbrook Views (Warminster) 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
Sovereign Fields (Bracknell H8) Management Company Limited
Sovereign Fields (Bracknell) Management Company Limited
Sovereign Grange (Kings Cliffe) Management Limited
Sovereign Quarter (Gillingham) Management Company Limited
St Dunstans Place (Burbage) Management Company Limited
St Gregorys (Swarcliffe) Management Company Limited
St Johns Wood (North Baddesley) Management Company Limited
St Oswalds Park (Gloucester) Management Company Limited
St Stephens Pavilion Management Company Limited
Staley Hall (Stalybridge) Management Company Limited
Staynor Hall Phase 3J (Selby) Management Company Limited
Steeple Chase Management Company (Calne) Limited
Strawberry Fields Penryn Management Company Limited
Stream View Management Limited
Sunningdale Park (Thornton) Management Company Limited
Teasdale Place (Carlisle) Management Company Limited
Templecombe Management Company Limited
The Acorns (Shirley) Management Company Limited
The Alders (Gilwern) Residents Management Company Limited
The Beeches (Ellesmere Port) Management Limited
The Boulevards (East Tilbury) Residents Management Company Limited
The Boulevards (Newport) Residents Management Company Limited
The Carriages (Burscough) Management Company Limited
The Cascades (Virginia Water) Management Company Limited
The Chestnuts (Wokingham) Management Company Limited
The Collection (St Neots) Management Limited
The Crescent FP Management Company Limited
The Crescent Medstead Management Company Limited
The Croft (Burgess Hill) Residents Management Company Limited
The Crossings (Stafford) Management Limited
The Drive (Harold Hill) Management Company Limited
The Edge (Hempstead) Management Limited
The Grange (Chalfont St Peter) Management Company Ltd
The Grange (Swindon) Management Company Limited
The Grange Management Company (Olton) Limited
The Haven (Swansea) Management Company Limited
The Hedgerows (Thurcroft) Management Company Limited
The Heights (Newark) Residents Management Company Limited
The Laurels (Ipswich) Management Company Limited
The Links (Seascale) Management Company Limited
The Maltings (Shaftesbury) Management Company Limited
The Maltings (Shaftesbury) No 2 Management Company Limited
The Maltings (Shaftesbury) No 3 Management Company Limited

Company Name
The Middles (Stanley) Management Company Limited
The Orchard (Elsenham) Management Company Limited
The Orchard Brompton Farm (Strood) Residents Management Company Limited
The Oval (Selly Oak) Management Company Limited
The Paddocks (Enstone) Management Company Limited
The Paddocks (Newcastle) Management Company Limited
The Pipins (Rugeley) Management Company Limited
The Poppies (Harleston) Management Company Limited
The Poppies Management Company Limited
The Priory (Llandough) Residents Management Company Limited
The Ridge (Lyde Green) Management Company Limited
The Rowans (Robin Hood) Management Company Limited
The Swallows Management Company Limited
The Vale (Easingwold) Management Company Limited
The Village, Aveley Phase II Residents Management Company Limited
The Whinmoor (Leeds) Management Company Limited
Thomas Way (Braintree) Management Company Limited
Tilbury Fields (Oxford) Management Company Limited
Trees (Billingshurst) Limited
Trevethan Meadows Liskeard Management Company Limited
Trinity Fields Management Company Limited
Tudor Park (Saffron Walden) Management Company Limited
Tutors Gate (Aylesbury) Management Company Limited
Urmston Square Management Company Limited
Valley Heights (Frome) Management Company Limited
Village Mews (Southowram) Management Company Limited
Vincent Lane (Dorking) Management Company Limited
Watercress Way Management Company Limited
Waterfield Place (Market Harborough) Residential Management Company Limited
Waters Edge (Buckshaw) Management Company Limited
Waters Edge (Wimborne) Management Company Limited
Waterside (Louth) Management Company Limited
Waterside At The Bridge Management Company Limited
Weavers Meadow Estates Management Company Limited
Weavers Wharf Apartments (Coventry) Management Company Limited
Wellington Gate (Maresfield) Management Company Limited
Wentworth Green Management Company Limited
West Wick Management Company Limited*
Westbury Leigh (Westbury Leigh) Management Company Limited
Westgate (Llanfoist) Management Company Limited
Weston Park Limited
Wheatfield Grange (Westerhope) Management Company Ltd
Whiteford Mews Management Company Limited
Willow Court (West Ewell) Management Company Limited
Willow Park (Aylsham) Management Company Limited
Wombwell (Barnsley) Management Company Limited
Woodbridge House Management Company Limited
Woodland Gardens (Pyle) Management Company Limited
Ysgol Maes Dyfan (Barry) Residents Management Company Limited

* Private company limited by shares

Shareholder information

Analysis of shareholding at 31 December 2015

Size of shareholding	Number of shareholders	% of shareholders	Number of shares	% of shares
1 – 5,000	9,599	89.44	6,844,904	2.23
5,001 – 50,000	712	6.63	11,533,892	3.76
50,001 – 250,000	252	2.35	28,683,787	9.35
250,001 and over	170	1.58	259,636,222	84.66
Total	**10,733**	**100.00**	**306,698,805**	**100.00**

Share price – year ended 31 December 2015

Price at 31 December 2015	£20.27
Lowest for year	£14.49
Highest for year	£21.35

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

Financial Calendar 2016

Ex-Dividend Date	3 March 2016
Record Date	4 March 2016
Payment of interim dividend	1 April 2016
Annual General Meeting	14 April 2016
Trading Update	14 April 2016
Trading Update	5 July 2016
Announcement of Half Year Results	23 August 2016
Trading Update	3 November 2016

Five Year Record

	2015	2014	2013	2012	2011
Unit sales	**14,572**	13,509	11,528	9,903	9,360
Revenue	**£2,901.7m**	£2,573.9m	£2,085.9m	£1,721.4m	£1,535.0m
Average selling price^Δ	**£199,173**	£190,667	£181,861	£175,640	£166,142
Profit from operations*	**£634.5m**	£473.3m	£333.1m	£222.5m	£153.6m
Profit before tax*	**£637.8m**	£475.0m	£329.6m	£221.5m	£144.0m
Basic earnings per share*	**173.0p**	124.5p	83.3p	56.7p	35.7p
Diluted earnings per share*	**169.1p**	124.3p	82.8p	56.2p	35.5p
Cash return/dividend per share	**110.0p**	95.0p	70.0p	75.0p	10.0p
Net assets per share	**800.7p**	715.4p	671.4p	658.2p	608.6p
Total shareholders' equity	**£2,455.8m**	£2,192.6m	£2,045.5m	£1,993.7m	£1,839.3m
Return on capital employed*	**32.1%**	24.6%	17.6%	12.2%	8.3%

All figures stated before exceptional items, goodwill amortisation/impairment where applicable.
Δ Average selling price calculated from nominal value of revenue (before IAS 18 adjustment to fair value shared equity sales).
* 2011-2012 restated for the effect of IAS 19 Employee Benefits (revised).

Directors

Nicholas Wrigley
Chairman

Jeff Fairburn
Group Chief Executive

Mike Killoran
Group Finance Director

Dave Jenkinson
Group Managing Director

Nigel Greenaway
South Division Chief Executive

Richard Pennycook
Senior Independent Director

Jonathan Davie
Non-Executive Director

Mark Preston
Non-Executive Director

Marion Sears
Non-Executive Director

Rachel Kentleton
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

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Neil Francis

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Telephone (01904) 642199

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1818486
Incorporated in England

Auditor
KPMG LLP

Bankers
The Royal Bank of Scotland plc
Lloyds TSB Bank plc
Barclays Bank PLC
HSBC plc
Santander UK plc

Financial advisors/stockbrokers
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Citigroup Global Markets Limited

Financial PR Consultants
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