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PERSIMMON PLC

DELIVERING ON OUR LONG TERM STRATEGY

ANNUAL REPORT 2018

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OUR CUSTOMERS

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 For more information see pages 26-30
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OUR COMMUNITIES

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 For more information see pages 31-35
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OUR PEOPLE

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 For more information see pages 36-38
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OUR SUPPLIERS

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 For more information see pages 41-42
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We are one of the UK's leading housebuilders, with a clear purpose:

TO BUILD GOOD QUALITY HOMES AT A RANGE OF PRICE POINTS ACROSS THE UK. WE AIM TO CREATE AND PROTECT SUPERIOR AND SUSTAINABLE LEVELS OF VALUE FOR THE BENEFIT OF OUR CUSTOMERS, WORKFORCE, SUPPLIERS AND SHAREHOLDERS THROUGH THE HOUSING CYCLE.

Our strategy, set out on pages 12 and 13 shows how we achieve this.

HIGHLIGHTS

Revenue +4% £3.74bn 2017: £3.60bn	Operating margin +9% 29.0% 2017: 26.5%	Dividend - 235p 2017: 235p
Free cash generation¹ -15% £686.0m 2017: £806.3m	Profit before tax +13% £1,090.8m 2017: £966.1m	Net assets per share -3% 1,006.0p 2017: 1,036.6p
Cash generation pre land investment² -22% £1,082.8m 2017: £1,382.6m	Charitable foundation donations +86% £1.3m 2017: £0.7m	Affordable homes³ +11% 3,333 2017: 3,005

¹ Free cash generation is defined as net cash flow before financing activities and before £46.7m of employers National Insurance contribution payments in respect of share based payments.

² Cash generation pre land investment is net cash flow before capital return (£732.3m) and net land investment £605.1m (2017: capital return £416.6m and net land investment £576.3m).

³ Homes provided to our housing association partners and Discounted Open Market Value homes.



Key performance indicators
See pages 14 and 15

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CHAIRMAN'S STATEMENT

**DELIVERING ON OUR
LONG TERM STRATEGY**

"The Group's long term strategy prioritises the creation and preservation of superior shareholder value through the economic cycle by building good quality homes for our customers; providing rewarding careers for our employees and giving continuity of business to our suppliers."

Roger Devlin
Chairman

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I was appointed Chairman on 1 June 2018. Persimmon is a great company with an excellent track record of growth. And as one of the largest housebuilders in the UK, Persimmon places great importance on the contribution the Company makes to the communities it serves. The Company continues to deliver strong commercial performance and we appreciate that success remains dependent on delivery for all our stakeholders – notably our customers, our people, our suppliers and Government. We are stepping up our efforts to continue to improve customer satisfaction levels with a number of new initiatives being introduced which we believe will bring significant improvements for our customers. Alongside that we are changing our pay and incentives to include greater emphasis on both quality and customer care with plans that are more rigorous than we have had in the past. We remain focused on making a good contribution to increasing the industry's output of new homes across the UK so that more people gain access to good value, well-designed homes in line with Government policy and targets. We will continue to invest in our own manufacturing capabilities – timber frame construction, brick and tile works – to ensure we are able to support our development programmes over future years.

Results

Persimmon delivered a very strong performance in 2018, with revenues increasing by 4% to £3,737.6m (2017: £3,597.8m) and profit before tax increasing by 13% to £1,090.8m (2017: £966.1m). The Group delivered 16,449 new homes to customers across the UK (2017: 16,043), an increase of 406 new homes compared with last year. The Group's average selling price of £215,563 was 1% higher (2017: £213,321).

The Group's long term strategy prioritises the creation and preservation of superior shareholder value through the economic cycle by building good quality homes for our customers; providing rewarding careers for our employees and giving continuity of business to our suppliers. We are focused on delivering high quality growth to meet market demand across the UK, investing in land and infrastructure to support further increases in new home construction *which local communities need*. To support this growth we opened our seventh new operating business in four years on 2 January 2019, the new team being based near Doncaster in Yorkshire, which takes the total number of Group housebuilding businesses to 31. Since the launch of the Group's new strategy in 2012 Persimmon has made a significant contribution to increasing housing supply across the UK by investing £3.81bn in land, opening 1,370 new sales outlets, and delivering 97,175 new homes to the market by increasing annual production by over 75%.

Persimmon has been successful in growing each of its regional housebuilding businesses towards optimal scale and through achieving the associated operational efficiencies the Group delivered a housing operating margin of 30.5% in 2018 which was 260 basis points higher than the prior year (2017: 27.9%). Operating profit of £1,082.7m was 13% ahead of last year (2017: £955.1m). We opened c. 180 new sales outlets in 2018 providing support to the Group's lower level of land cost recoveries from the new home sales legally completed from these sites.

Profit before tax increased by 13% to £1,090.8m (2017: £966.1m) and basic earnings per share of 283.3 pence were 11% higher than last year's 255.0 pence.

In line with our strategic priorities which seek to maximise cash efficiency and capital discipline through the cycle, the Group's liquidity remains strong. The Group held £1,048.1m of cash at the end of the year (2017: £1,302.7m).

The Group has continued to reinvest for the future acquiring 17,092 plots of new land across 84 high quality locations through the year, with our strategic land holdings contributing 3,772 plots. In the second half of 2018 we acquired 6,020 plots of new land across 39 locations. The Group's net land spend of £605.1m for the year includes £279.3m in the second half which included £145.8m of existing land creditor payments. The Group's land creditor commitments at 31 December 2018 were £548.0m, £19.3m lower than the prior year.

Return on average capital employed** was 52.8% for 2018, slightly ahead of the previous year (2017: 51.5%).

Long term strategy and Capital Return Plan

The Group's 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 through the housing cycle. Minimising financial risk while retaining flexibility to support an appropriate level of reinvestment in the business are key features of our strategy. Our disciplined approach to land replacement aims to support each of our 31 housebuilding businesses to reach optimal scale by bringing land into production as promptly as possible. Our investment in infrastructure and new home construction allows us to offer an attractive range and choice of homes to our customers to meet their housing needs.

Our strategy recognises the potential for the Group to generate surplus capital through strong operational delivery. The Board therefore made a long term commitment in early 2012 to deliver £1.9bn (£6.20 per share) of surplus capital to shareholders over ten years to 2021 ("the Capital Return Plan"), which was similar to the market capitalisation of the Group at the time.

OPERATIONAL HIGHLIGHTS

Homes sold **+3%**

16,449

2017: 16,043

Average selling price **+1%**

£215,563

2017: £213,321

Forward sales* **-1%**

£2.02bn

2018: £2.03bn

Owned land bank (plots) **-2%**

75,793

2017: 77,067

Trainees and apprentices **+7%**

c. 630

2017: c. 590

Construction and supply chain jobs*** **+2%**

Over 50,000

2017: over 49,000

* As at 25 February 2019 (2018 figure as at 26 February 2018).

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

*** Estimated using an economic toolkit.

CHAIRMAN'S STATEMENT

continued

The value of any surplus capital to be returned to shareholders is continually assessed after due consideration of the appropriate balance between the current financial position of the Group and its reinvestment needs, the Group's land bank, the housing market cycle and land market conditions, and wider-ranging risks and external factors. The Board has set out its risk and viability assessment processes on pages 44 to 50.

Following Persimmon's strong performance over recent years the Group is in an excellent financial position holding total liquid cash resources of £1,048.1m, together with a high quality land bank in each of its regional businesses. Having been appointed Group Chief Executive today, Dave Jenkinson and the Board will continue to assess the availability of surplus capital whilst recognising the heightened risks regarding the future performance of the UK economy resulting from the UK's exit from the EU. The Board remains confident in Persimmon's financial strength and ability to meet its schedule of committed capital return payments.

Board Changes

The Board announced the departure of Jeff Fairburn, former CEO, on 7 November 2018, effective from 31 December 2018. Dave Jenkinson, Group Managing Director, was appointed Interim Group Chief Executive from 1 January 2019. The Board would like to thank Jeff for his long service to the Company and acknowledge his contribution to the growth and financial success Persimmon achieved under his leadership.

The search for a new Chief Executive has now concluded, with the appointment of Dave Jenkinson as Group Chief Executive on 25 February 2019.

Employees

We recognise the importance of having a diverse and engaged workforce. To enrich and strengthen this engagement, during 2018 we put in place procedures for a new Employee Engagement Panel to increase dialogue and provide valuable input and feedback to the Board from a diverse group of employees from across the business. The Panel will consider a wide spectrum of matters relating to the business and provide feedback on their discussions. We have also introduced a Gender Diversity Panel of some of our most senior female employees. This Panel has set an initial goal of actively promoting the benefits of working within the housebuilding industry across the local communities we serve through direct engagement with local schools and colleges during 2019.

In addition, from January 2019, following proactive engagement with the Living Wage Foundation, we adopted the Living Wage Foundation's payment criteria for our employees. Whilst the vast majority of our employees were already paid above the Living Wage we are pleased that, having taken this action, we are able to demonstrate our commitment to being a responsible employer and support our employees on this basis.

Customers and Community

We must place our customers at the heart of our business and improving customer satisfaction levels is a key priority. We listen to our customers' feedback and aim to act promptly to address any concerns. We are continuing to invest in both the systems and the processes that will enable us to improve our levels of service to customers, whilst also investing in our site management personnel and customer care teams so we can better meet our customers' needs. Our Home Builders Federation star rating score was 79% for 2018, which is in line with the prior year's three star rating, and just below a four star rating which is achieved at an 80% score. We recognise the Group has the opportunity to achieve an improved performance and we are confident that the action we are taking will sustain further improvements as these measures are rolled out across the Group.

The introduction of our new FibreNest broadband service demonstrates the Group's desire to serve its customers better by ensuring they are connected to the internet continuously from moving in day. We are pleased that it is rated highly by our customers.

As a responsible, sustainable business we place great importance on our relationships with the communities in which we operate. The Group's approach to master-planning its developments is based on working with local communities to create neighbourhoods that enhance and support diverse sustainable living. The design of our developments and our Group core house types are centred on meeting the housing needs of the local communities we serve. In response to customer feedback we concentrate on delivering traditional homes, creating environments where local people wish to live. Investing in improvements to local infrastructure, and improving local amenities and public open space, allows us to support communities on a sustainable basis.

During 2018 we contributed £474m to local communities in affordable housing and planning contributions, which helped to create over 2,400* new school places. We also supported over 50,000** construction and supply chain jobs. Of the year's 16,449 new home legal completions, 3,108 new homes were delivered to our housing association partners and 225 were sold as Discounted Open Market Value sales.

During 2018 the Persimmon Charitable Foundation donated £1.3m to c. 900 local charities, sporting and community groups through our Community Champions and Healthy Community Campaigns, helping to support community life. We recently launched a new campaign, Building Futures, which will donate over £1m to support children in health, sport, education and the arts. We are delighted to be joining forces with Team GB – the British Olympic Association – to help children throughout the UK. As an Official Partner of Team GB we are proud to be supporting them in the run up to, and beyond, the next Olympic Games in Tokyo.

Outlook

Recognising the current robust level of demand for our new homes, as part of our drive to improve our service to customers we have taken action in the new year to deliver greater accuracy of anticipated moving in dates. We have adopted a more targeted approach to the phasing of sales releases in five of our 31 businesses, where demand on certain sites is strong. In addition, as indicated in our January trading update, we still have a dozen new sales outlets where we are progressing build to a more advanced stage before releasing to the market over the next few weeks which will provide further sales opportunities. Whilst we do not expect this will impact on the Group's completions for the year overall, these measures have contributed to a slower pace of sales reservations in the early weeks of the current spring trading period. Overall sales remain in line with our expectations and we are confident that these sites will make a good contribution to sales once build has progressed.

Whilst sales expectations remain subject to a degree of uncertainty at the start of any financial year, the lack of clarity with respect to the UK's exit from the EU is currently creating additional unpredictability. In this context and against record sales in the same weeks last year, which reflected the stimulus effect of the Government's cut in stamp duty for first time buyers announced on 22 November 2017, and after recognising the above actions to improve customer service, the Group's average private sales rate per site in the first eight weeks of the year was 4% lower than the previous year. We expect sales reservation volumes will pick up on release of the plots and sites currently under construction, delivering a different shape of sales for the current year but with no impact on our overall completion expectations. Cancellation rates remain at historically low levels. The Group's current total forward sales, including legal completions taken so far in 2019, remain strong at £2.02bn (2018: £2.03bn). The average selling price of private sales within our total sales is £238,800, c. 2% higher than at the same point last year, and pricing conditions remain firm.

Given the Group's robust opening forward order position and healthy outlet network Persimmon remains in a strong position in its markets with attractively priced new homes in desirable locations. We currently anticipate delivering a similar level of legal completions during 2019 as in the prior year.

In line with our stated strategy of managing the business to mitigate market cycle risks, over the last two years we have adopted a very selective approach to land replacement. We have concentrated on acquiring new land where anticipated development returns and timeframes provide strong nearer term cash returns, together with higher levels of protection to asset values. This, in part, has been a key driver of the Group's superior margins over the period. We continue to identify good quality land opportunities in the open market and we will continue to reinvest in the business for the future where the anticipated returns meet our expectations, which will include our assessment of the current increased market risk profile.

Growth in housing output from the industry continues to be constrained by the tight availability of skilled trade resources and some key materials. Persimmon will continue to invest to help address these challenges. The Group's investment in its own brick manufacturing plant at our Harworth manufacturing hub, near Doncaster, provided increasing support to our build programmes through 2018. We anticipate Brickworks will deliver c. 65m bricks to Group companies through 2019. Additionally, the construction of our own roof tile manufacturing plant on the same site is progressing to plan and we expect first deliveries from Tileworks to commence in the second half of this year. Our Space4 manufacturing facility, based near Birmingham, continues to make an important contribution to our expanding in-house manufacturing capability.

The Group will continue to invest in the training and development of its employees with over 630 colleagues currently engaged in structured training programmes, including 381 traditional apprentices learning the trade skills required to support future housing delivery. We aim to deliver improvements in customer care and levels of service through further investment in our teams, processes and systems.

Persimmon's continued investment in our team's skills and capabilities, both in our regional offices and across our national site network, coupled with our off-site manufacturing initiatives, are investments in the future strength of the business. Whilst the benefits from these investments will take time to be realised we believe they will continue to position Persimmon at the forefront of the industry.

The UK economy displayed resilience through 2018 delivering increased levels of employment, some real wage growth, and continued support from a disciplined mortgage lending market, which supported consumer confidence. Looking to the future, the Group is in a strong financial position and is well positioned in its markets with a high quality land bank and a very experienced management team. The Board remains confident in the Group's future progress.

On behalf of the Board I would like to thank management, all our staff, our contractors and suppliers for all their dedication and hard work in delivering the Group's excellent performance in 2018.

Roger Devlin
Group Chairman
25 February 2019

* Estimated using data published by the National Audit Office.

** Estimated using an economic toolkit.

WHO WE ARE

A RANGE OF QUALITY HOMES ACROSS THE UK

OUR BRANDS

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

The Charles Church brand complements and differentiates itself from Persimmon by delivering larger, higher specification homes in premium locations across the UK. We build homes under this brand tailored to local markets where our research and experience has identified a strong demand for a premium product.

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 2018

£224,749

Homes sold

11,947

Land bank (Plots)

69,275

Contribution to Group housing revenue

76%

Average selling price 2018

£355,133

Homes sold

1,394

Land bank (Plots)

11,448

Contribution to Group housing revenue

14%

Average selling price 2018

£117,653

Homes sold

3,108

Land bank (Plots)

18,365

Contribution to Group housing revenue

10%

OFF-SITE MANUFACTURING

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Our Space4 manufacturing business produces timber frames, highly insulated wall panels and roof cassettes as a 'fabric first' solution to the construction of new homes. Space4's unique modern method of construction system helps us to improve site productivity, increase build capacity and mitigate construction industry skills shortages. Space4 supports all of our brands and supplied c. 6,000 timber frame kits and roof systems to the Group in 2018.

Logo removed

Our Brickworks produces concrete bricks and is entirely focused on supplying the Group's housebuilding operations. Deliveries to sites commenced in January 2018 and during the year over 29 million bricks were supplied to the Group. The factory has the capacity to produce c. 80 million bricks a year, which approximates to two thirds of the Group's brick requirements.

Logo removed

Tileworks, the Group's own concrete roof tile manufacturing plant, is currently under construction and plans to commence deliveries to site in the second half of 2019. Once operational the factory will have the capacity to supply the Group with approximately two thirds of its roof tile requirements, securing quality and supply of this key material component.

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FibreNest is the Group's own ultrafast, full fibre to the home, broadband service which aims to ensure all our customers are connected to the internet from moving in day onwards. Working with experienced partners, FibreNest provides ultrafast speeds coupled with excellent levels of service both during installation and for the duration of the service.

BROADBAND PROVIDER

We are a national housebuilder with a local approach to building homes.

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OUR LOCATIONS

Graphic removed

Northern offices

01. North Scotland
02. West Scotland
03. East Scotland
04. North East
05. Durham
06. Teesside
07. Lancashire
08. West Yorkshire
09. Yorkshire and Group Head Office
10. North West

Southern offices

11. South Yorkshire
12. Nottingham
13. North Midlands
14. West Midlands
15. East Midlands
16. Anglia
17. Central
18. South Midlands
19. Midlands
20. Essex

Off-site manufacturing

21. Suffolk
22. West Wales
23. East Wales
24. Severn Valley
25. Wessex
26. North London
27. Thames Valley
28. South East
29. South Coast
30. South West
31. Cornwall

Off-site manufacturing

32. Space4
33. Brickworks
34. Tileworks

SOCIAL CONTRIBUTION STATEMENT 2018

HOW WE CONTRIBUTE TO OUR LOCAL COMMUNITIES

A summary of the contribution made by the Group to society and the economy during 2018.

SUPPORTING THE ECONOMY

Graphic removed

16,449

2017: 16,043

New homes delivered

£3.4bn

2017: £3.3bn

Economic output* (Gross Value Added to the economy)

30

2017: 29

Regional Operating Companies in 2018

20,768

2017: 20,277

Construction jobs supported*

30,041

2017: 29,330

Supply chain jobs supported*

£392m

2017: £369m

Residential expenditure* (spending within local shops and services by residents of new homes delivered)

c. 630

2017: c. 590

Trainees and apprentices

SUPPORTING COMMUNITIES

3,333

2017: 3,005

Affordable homes delivered

(Includes homes delivered to housing associations & Discounted Open Market Value Housing)

39%

2017: 43%

Private sales below £200,000

51%

2017: 48%

Private sales to first-time buyers

582

2017: N/A

Homes provided with FibreNest ultrafast broadband

£474m

2017: £413m

Investment in local communities**

£84m

2017: £81m

Local councils revenue support**

c. 900

2017: c. 900

Local charity and community groups supported

£1.3m

2017: £0.7m

Donated to local community groups and good causes through the Persimmon Charitable Foundation

2,413

2017: 1,544

New school places created***

£9.00

2017: N/A

Minimum hourly pay from January 2019 we have adopted the Living Wage Foundation criteria for our employees

4,809

2017: 4,535

**Average directly
employed workforce****5,541**

2017: 5,629

Suppliers supported**£525m**

2017: £480m

Total supplier spend**£82m**

2017: £80m

First Occupation Expenditure*
(expenditure in furnishing and
decorating a property)**5,865**

2017: 5,608

**Subcontractors
supported****£1,351m**

2017: £1,280m

**Total spend with
subcontractors****SUPPORTING THE ENVIRONMENT**

Graphic removed

96%

2017: 92%

Waste recycled**74%**

2017: 86%

**Homes built including modern
methods of construction****21%**

2017: N/A

**Percentage of bricks used
that were manufactured
by our Brickworks****302 hectares**

2017: 300ha

**Public open spaces and gardens
for families provided^Δ****75%****Sites with sustainable urban
drainage systems****100%**

2017: 100%

**New homes fitted
with LED bulbs**

Graphic removed

* Estimated using an economic toolkit.

** The value of homes delivered to housing associations, the value of Discounted Open Market Value Housing plus, the value of planning contributions we have made.

*** Estimated using data published by the National Audit Office.

Δ Estimated using average garden size and site density.

† Council tax revenues and new homes bonus.

OUR BUSINESS MODEL

HOW WE CREATE AND PRESERVE VALUE

THE RESOURCES WE NEED

**SUSTAINABLE
LAND BANK**

See pages 39 and 40

**A DIVERSE,
SKILLED WORKFORCE**

See pages 36 to 38

MATERIALS

See pages 41 and 42

**COMMUNITY
RELATIONS**

See pages 31 to 35

**LOCAL GOVERNMENT
RELATIONSHIPS**

See pages 31 and 39

Details of how we engage with all of our stakeholders can be found on pages 54 and 55. The Principal Risks associated with our business model are set out on pages 45 to 48.

WHAT WE DO

Obtain planning permission

Select and buy land

Graphic removed

Graphic removed

How we create and preserve value

We prioritise strategic land investment and its conversion into high quality developments with detailed planning consents over the long term to support our operating performance. We have experienced land, planning and design teams across the Group that identify suitable land in areas where people wish to live and work across the UK. They work in partnership with landowners, local communities and local authorities to obtain appropriate planning consents to deliver the right mix of housing to meet local communities' needs see pages 31 and 39.

We maintain a high quality land bank to give the Group continuity of supply, to support the efficiency of our operations, to maintain a strong sales network and to enable us to be selective in our land acquisitions. By investing in the right land at the right point in the housing cycle we place the business in the strongest position to deliver higher returns over the near term whilst also mitigating the effects of changing conditions over future periods. We maintain a disciplined approach to land investment appraisal, which all our land investments must fulfil.

Links to our strategic objectives

☐ Building quality homes for our customers
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☐ Supporting sustainable communities
Graphic removed

☐ Providing a sustainable supply of high quality land
Graphic removed

☐ Building quality homes for our customers
Graphic removed

☐ Providing a sustainable supply of high quality land
Graphic removed

☐ Optimising working capital and returns
Graphic removed

*12 month rolling average and stated before goodwill impairment.

Design & construction

Sales & customer care

Logos removed

Graphic removed

Our range of core house types support an efficient approach to construction whilst providing choice and affordability for our customers. Our off-site manufacturing capabilities, including our Space4 timber frame system, Brickworks and going forwards, Tileworks support our production rates and ensure quality and continuity of key supplies. We maintain a strong focus on build quality (see page 29). We also maintain control over our construction costs and work in progress, to support sustainable growth and to enable us to react quickly to changes in the housing cycle and provide good availability of new homes for our customers.

We maintain a national development site network managed from 31 regional offices across the UK, see page 7. This network enables us to understand the needs of local communities and deliver homes in places where people want to live and work as well as to maximise sales potential whilst mitigating market risk. Our range of house types offers customers an affordable choice of family homes. We have dedicated and skilled sales and customer care teams across the UK and we continue to invest in our systems and processes with the aim of providing excellent levels of service and customer care. Further details can be found on pages 29 and 30.

☐ Building quality homes for our customers

Graphic removed

☐ Supporting sustainable communities

Graphic removed

☐ Securing quality and availability of materials

Graphic removed

☐ Optimising working capital and returns

Graphic removed

☐ Building quality homes for our customers

Graphic removed

☐ Supporting sustainable communities

Graphic removed

☐ Our strategic objectives

See pages 12 and 13

THE VALUE WE CREATE

Our business model delivers long term sustainable value for our stakeholders including our customers, our workforce, communities in which we build, the economy, the environment and our shareholders.

New homes delivered

16,449

3,108 delivered to housing associations

Affordable prices

39%

Of our private sales were below £200,000

First time buyers

51%

Of our private sales were to first time buyers

Financial strength

£3.19bn

Balance sheet net assets at 31 December 2018

Capital returned to shareholders

£732.3m

In the year to 31 December 2018

Employment

4,809

People directly employed on average in 2018

Jobs supported

Over **50,000***

Construction and supply chain jobs

*Estimated using an economic toolkit.

☐ Further information regarding the ways in which our business model supports communities in which we build, the economy and the environment can be found in our Social Contribution Statement on pages 8 and 9

OUR STRATEGIC OBJECTIVES

A STRATEGY THAT DELIVERS SUSTAINABLE VALUE

OUR STRATEGIC OBJECTIVES

1

Graphic removed

Building quality homes for our customers

- Provide a range and choice of homes at attractive prices which satisfy local communities' housing needs
- Support first time buyers to participate in the market place
- Build quality homes in places where people want to live and work across the UK, to meet market demand
- Aim to provide high levels of customer service throughout the home buying process
- Deliver new homes tailored to our housing association partners' clients needs

How we measure:

- Number of homes sold
- Revenue measures
- Housing operating margin
- Forward sales
- HBF national new homes survey

2

Graphic removed

Supporting sustainable communities

- Create attractive neighbourhoods with high amenity value
- Invest in local infrastructure to improve community environments
- Design our developments to reflect communities' needs through active engagement with all stakeholders during the planning and development process
- Deliver housing that fulfils occupier requirements across multiple tenures
- Build safely and responsibly
- Minimise our environmental impact

How we measure:

- Number of incidents reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
- Waste generated per home sold and percentage recycled
- Greenhouse gas emissions
- Planning contributions in the year
- Number of local community groups supported

3

Graphic removed

Maintaining a diverse, skilled workforce

- Invest in our people and their skills development, ensuring talent is recognised, nurtured and supported
- Maintain a close knit, entrepreneurial and meritocratic culture where hard work is valued
- Maintain excellent health and safety standards
- Increase diversity in our workforce to enrich our culture and grow our talent and skill base

How we measure:

- Number of trainees
- Number of training days
- Number of females on senior management team
- Number of incidents reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations

OUR 2018 HIGHLIGHTS

FIBRENEST

During the year, in response to feedback from customers, we established FibreNest, our own ultrafast, full fibre to the home, broadband service that aims to ensure all our customers are connected to the internet from moving in day onwards. Our first customers were connected in August 2018 and the service has started very well and is highly rated by our customers.

The Group now has over 630 customers connected to the service on c. 30 sites. The Group intends to support new customers on future sites as this service is rolled out further.

PERSIMMON CHARITABLE FOUNDATION

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The Persimmon Charitable Foundation made donations of £1.3m during the year to local charities and sporting groups through our Healthy Communities and Community Champions campaigns.

TRAINING OUR WORKFORCE

The Group provided c. 11,000 training days (excluding apprenticeships) to our workforce.

We remain actively involved in the Home Building Skills Partnership, a joint initiative of the Construction Industry Training Board and the Home Builders Federation that aims to attract new entrants into the home building industry and improve skills and development training.

Our strategic objectives reflect our focus on the basics of good housebuilding, investing in a skilled and diverse workforce, acquiring land in sustainable locations and building good quality affordable family homes for our customers. This creates attractive neighbourhoods for our local communities and sustainable levels of value through the housing cycle for our shareholders.

4

Graphic removed

Providing a sustainable supply of high quality land

- Identify and fulfil the needs of local communities through our land acquisition and planning processes
- Through well-judged land replacement, deliver a sustainable supply of high quality land to meet market demand
- Deliver our strategic land holdings for development
- Maintain a high quality consented land bank

How we measure:

- Land bank plots
- Plots converted from strategic land
- Land recovery rates

5

Graphic removed

Securing quality and availability of materials

- Support a secure and collaborative supply chain for the long term
- Continue to strengthen our off-site manufacturing capabilities, including our Space4 modern method of construction; Brickworks, our brick manufacturing facility; and Tileworks, our roof tile manufacturing plant which is under construction

How we measure:

- Housing operating margin
- Profit before tax
- Return on average capital employed
- Number of Space4 modules used

6

Graphic removed

Optimising working capital and returns

- Invest in working capital to meet market demand
- Maintain discipline over the level of capital employed within the business through the cycle
- Create greater certainty for shareholders regarding the timing and value of returns
- Identify capital that is surplus to the operational needs of the business and distribute to shareholders

How we measure:

- Housing operating margin
- Cash
- Free cash generation
- Return on average capital employed
- Net assets per share
- Profit before tax
- Capital return plan payments

OFF-SITE MANUFACTURING

Brickworks

The Group's brickworks factory is now fully operational with the capacity to produce c. 80m bricks annually, approximately two thirds of the Group's brick requirements. During the year, as the business geared up production from the completion of commissioning in the second quarter of 2018, the facility provided c. 30m bricks to the Group's operations.

Tileworks

Construction of the Group's own concrete and roof tile manufacturing plant commenced in August 2018. Once at full capacity, Tileworks will be able to supply approximately two thirds of the Group's requirements for roof tiles across the UK, and plans to commence deliveries to site in the second half of 2019. Manufacturing our own bricks and roof tiles will secure quality and availability of these key components of our build process.

RETURNS TO SHAREHOLDERS

Total surplus capital of £7.20 per share, or £2.22bn, has now been paid to shareholders. The total value of the Capital Return Plan is now £13.00 per share compared to the £6.20 initial commitment made by the Board in 2012.

235p

per share returned to shareholders during the year

OUR KEY PERFORMANCE INDICATORS

HOW WE PERFORMED

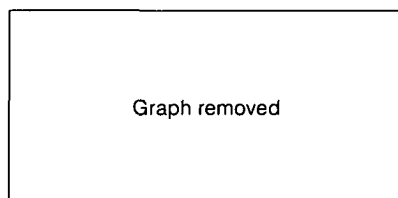
FINANCIAL KPIs

Revenue measures

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

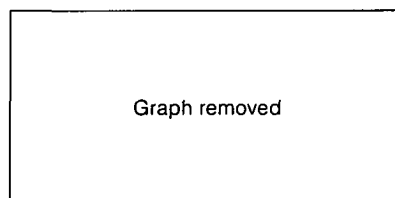
+4%

Housing revenue (£m)



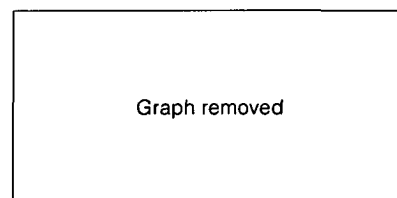
Profit measures

We have a long track record of delivering returns that are amongst the best in the sector. Our land replacement processes and cost management and efficiency programmes aim to generate superior returns which provides a platform for further investment in the Group's resources to support our disciplined growth.

+9%Housing operating margin (%)¹

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 business through the cycle is key to our success.

-15%Free cash generation (m)²

Strategic objective 1:
See page 26

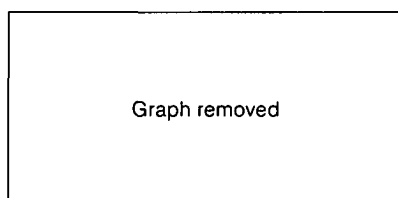
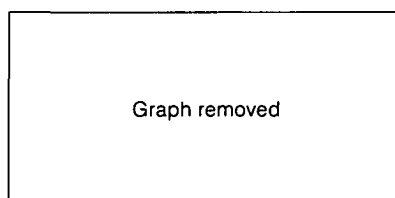
Strategic objective 5:
See page 41

Strategic objective 6:
See page 43

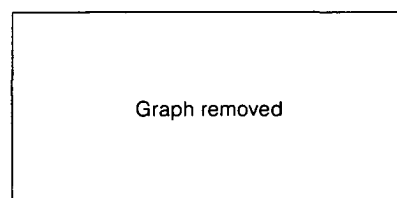
Strategic objective 6:
See page 43

+3%

Forward sales (£m)

**+13%**Profit before tax (£m)¹**-20%**

Cash (£m)



Strategic objective 1:
See page 26

Strategic objective 5:
See page 41

Strategic objective 6:
See page 43

Strategic objective 6:
See page 43

¹ Stated before exceptional items and goodwill impairment. After exceptional items and goodwill impairment the figures are as follows: Housing operating margin: 30.5% (2017: 27.9%; 2016: 24.6%; 2015: 21.6%; 2014: 18.1%); Profit before tax: £1,090.8m (2017: £966.1m; 2016: £774.8m; 2015: £629.5m; 2014: £467.0m).

² Free cash generation is defined as net cash flow before financing activities and before £46.7m of employers' National Insurance contribution payments in respect of share based payments (2014-17: nil).

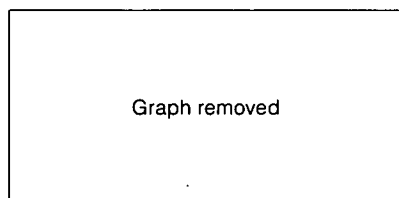
NON-FINANCIAL KPIS

Return measures

A combination of higher operating profitability and capital discipline will deliver higher levels of return on invested capital. We will continue our disciplined approach to working capital management to meet market demand.

+3%

Return on average capital employed (%)³



Strategic objective 5:
See page 41

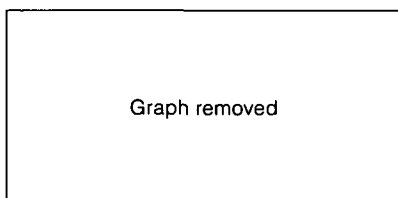


Strategic objective 6:
See page 43

Customer survey

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

Star rating (1-5)

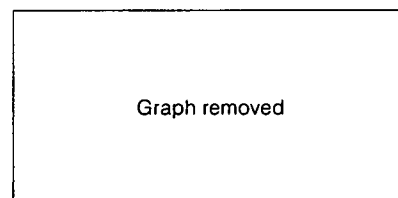


Strategic objective 1:
See page 29

RIDDORs

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

Number



Strategic objective 2:
See page 33



Strategic objective 3:
See page 38

Waste generated per home sold and % recycled

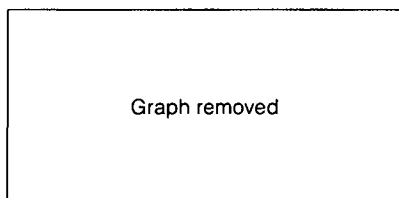
To monitor and improve our operational and environmental efficiency, we collect data on the amount of waste we generate and recycle for each home we sell.

Land bank

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.

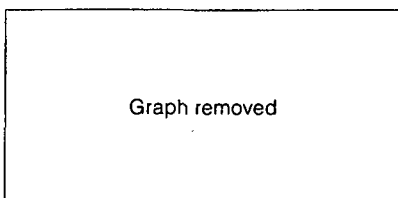
-3%

Net assets per share (pence)



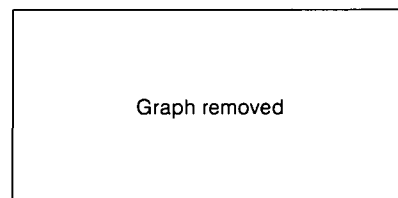
Strategic objective 6:
See page 43

Tonnes



■ Waste sent to landfill □ Waste generated
Strategic objective 2:
See page 35

Plots



Strategic objective 4:
See page 39

³ 12 month rolling average and stated before exceptional items and goodwill impairment. After exceptional items and goodwill impairment the figures are as follows: Return on average capital employed: 52.4% (2017: 50.9%; 2016: 39.0%; 2015: 31.7%; 2014: 24.2%).

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

KEY TRENDS AFFECTING OUR BUSINESS

THE UK HOUSING MARKET

Graphic removed

AFFORDABILITY

Affordability is a key factor influencing housing demand. Increased demand has resulted in house prices rising at a rate above that of retail price inflation. However, given the low mortgage rate backdrop, mortgage cost to income ratios remain below the peak levels seen in 2007. The average UK house price was £230,776* in December 2018, a growth of 5%* on the previous year. Our average selling price was lower than this UK average at £215,563 in 2018, as we have a focus on affordability and the first time buyer, first time mover market.

The Government's Help to Buy scheme has also assisted affordability, particularly for the first time buyer market. In the 2018 Autumn Budget, the Government announced the current Help to Buy scheme (which runs to March 2021) will be extended in amended form from April 2021 to March 2023 for first time buyers. This will continue to help first time buyers to buy a new home with a 5% deposit. The amended scheme will introduce a regional price cap which is currently 1.5 times the current average first time buyer price in each region.

UK average house price
December 2018

£230,776*

* Source: ONS

DEMAND FOR HOUSING

Demand for new homes in the UK remains robust due to demographic trends, the requirement to replace aging housing stock and a long term trend of consistent undersupply of new homes. Population growth has been a key driver in demand for housing, seeing an average annual increase of approximately 470,000* from 2007 – 2017.

Population growth is forecast to continue at a strong rate, with the total UK population passing 70 million* in 2029.

* Source: ONS

Graphic removed

CONSUMER CONFIDENCE

Consumer confidence and the health of the UK economy are fundamental factors that support customer demand and a sustainable UK housing market. GfK's long running consumer confidence index decreased during 2018 with the economic uncertainty resulting from Brexit negotiations weighing on the outlook for household finances. The latest GfK Index suggests that consumer confidence has remained stable albeit 5 points lower than the same point in 2018. However, market fundamentals remain supportive; unemployment rates remain historically low, interest rates continue at lower levels and mortgage lenders are keen to support customers with competitive mortgage products (see the section on mortgage availability opposite), resulting in resilient consumer confidence.

The UK economy grew by 1.4%* in 2018 per the latest estimates, slightly below 2017 growth rates, albeit broadly in line with forecast**.

UK GDP 2018

+1.4%

ONS estimated figure for 2018

* Source: ONS

** Source: OBR

The number of mortgage approvals decreased slightly in 2018 to 781,238* new loans for home purchase (2017: 797,130). The Bank of England's Credit Conditions Survey published in January 2019 indicates that the availability of secured credit to households fell 12.1% in the last quarter of 2018 but is expected to rise in the first quarter of 2019 (up 8.4%). The fall in the fourth quarter was driven by a drop in economic outlook and appetite for risk. Positive market share objectives in the first quarter of 2019, indicating that lenders are still keen to maintain market share, are expected together with a changing appetite for risk. Both factors should drive availability of secured credit up for this quarter.

Last year, the Bank of England's Financial Policy Committee increased mortgage stress tests to support affordable and disciplined mortgage lending.

Mortgage approvals

781,238*

Approved in 2018

Graph removed

PLANNING AND REGULATION

Graphic removed

Planning approvals for the year to 30 June 2018 were at the highest level since June 2006 however the process of securing implementable detailed planning consent remains challenging. The Government's Revised National Planning Policy Framework, published in July 2018, aims to make it easier for planners, developers and local councils to deliver good quality housing in places where people want to live, at a faster pace. The Government's ambition is to achieve 300,000 new homes a year by the mid 2020's. Local planning authorities are required to put in place five year plans to meet their housing needs which should ensure a consistent

supply of consented land to enable the housebuilding industry to commit capital to long term projects.

From 1 October 2018, changes were made to the way pre commencement planning conditions work. This aims to speed up the planning process and enable developers to start work on sites in a more timely way. We welcome ways to improve the efficiency of the local planning system and will continue to work with all stakeholders to identify improvements in the efficiency of the system.

SKILLED LABOUR

The availability of skilled labour remains a key issue and increasing the supply of trade skills will be essential if the industry is to continue to increase the volume of new homes built in the UK. Brexit and its impact on the free movement of construction workers is also likely to be a factor although this will have more of an impact in the London and South East regions (an area where the Group has a lower presence) due to the relatively high proportion of EU nationals working within the construction industry in those areas.

Persimmon continues to invest in initiatives to train substantial numbers of apprentices and graduate trainees. We play an active role in the Home Building Skills Partnership, a joint initiative between the CITB and the Home Builders Federation, which aims to attract new entrants into the home building industry and improve skills and development training.

HOW WE PERFORMED WITHIN THE MARKET PLACE

OPERATIONAL REVIEW

“My focus is to build on the Group’s strong platform. We are committed to investing in our teams, systems, and our off-site manufacturing capabilities to support the Group’s further growth and to deliver improvements in customer care and service levels. Our focus on strategic land promotion and conversion remains a key enabler supporting our excellent performance. Since the launch of the Group’s new strategy in 2012 Persimmon has increased new home completion volumes by more than 75% and invested c. £3.81bn of cash in land for future housing delivery.”

David Jenkinson

Group Chief Executive

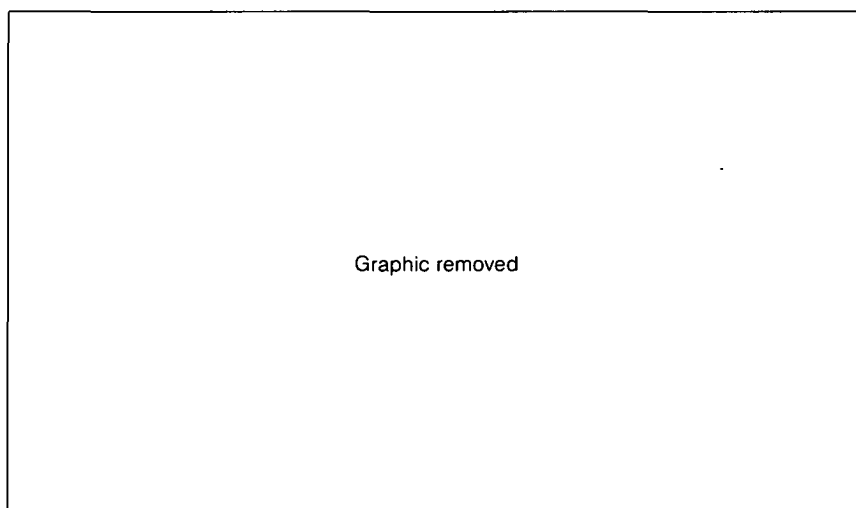
Persimmon made excellent progress in 2018, delivering disciplined growth and strong performance across the business.

Growth

The Group delivered a 4% increase in new housing revenue in the year to £3,545.8m, with growth in volume of 406 homes, or 3%, to 16,449 legal completions.

We have seen strong performances across each of our geographical markets. Our optimal average weekly private sales rate for our outlets is 0.75 of a private market sale per week through the year. Whilst not quite achieving this optimal level of sales during 2018 we achieved c. 0.70 of a sale per week (2017: 0.72) reflecting the resilient trading conditions seen in 2018.

We opened our thirty-first regional business, South Yorkshire, on 2 January 2019 at Harworth near Doncaster. This business will support the development of the Group’s market share in the Yorkshire region, where we currently operate from 40 outlets. Over the last four years the Group has invested in an additional seven new housebuilding businesses, reflecting Persimmon’s commitment to increasing the delivery of newly built homes on a sustainable basis.



Across the UK, the Group opened c. 180 new sales outlets this year (2017: c. 200 outlets). Our strong geographical footprint, supported by our focused investment in attractive land in desirable locations together with the skill and experience of our land, design and planning teams, has helped us convert land into sales outlets as quickly as possible given the challenges of the planning system. At the end of the year, the Group had c. 360 outlets managed by our 31 operating businesses.

We believe disciplined high quality growth is best delivered by maintaining a sustainable market share in each of our regional markets and that this will continue to deliver superior levels of free cash generation and returns over the long term.

Our forward sales of £1,397.2m at 31 December 2018 were 3% ahead of the prior year (2017: £1,356.1m) after second half legal completion volumes of 8,377, which were 305 stronger than for the first half of the year (H1: 8,072), an increase of 4%.

Investing in future growth

During 2018, the Group continued its strategy of investing in high quality land in places where people wish to live and work. Whilst there has been increased competition in some areas, the land market remained favourable, offering good opportunities to invest in the future of the business. The Group acquired 17,092 plots of land in 84 locations across the UK, with 3,772 plots being converted from our strategic land bank across 22 locations. This focused investment in attractive land has enabled the Group to expand its output by 75% over the last six years.

At 31 December 2018, the Group's land bank held c. 47,300 plots of land with implementable planning permission (2017: c. 52,600 plots) and all of these sites are under development. We have a further c. 28,500 plots of owned land (2017: c. 24,500) which are currently proceeding towards achieving full planning consent. In line with our strategic objectives, our land, planning and design teams will remain focused on working with planning departments and local communities to achieve implementable detailed consents as quickly as possible to maintain a strong pipeline of developable plots for our consented land bank over future years.

Graphic removed

Increasing the resilience of our operations through vertical integration

Securing the supply of key materials contributes to the Group's greater resilience in supporting increasing levels of construction and new home delivery.

The Group has invested in its own brick manufacturing facility based at Harworth near Doncaster which has the capacity to manufacture c. 80m bricks per annum. This secures the availability and quality of supply for approximately two thirds of the Group's brick requirements.

Similarly, the Group is currently constructing its own roof tile manufacturing facility, based on the same site in Doncaster. We aim to commence the supply of roof tiles to Group sites in the second half of 2019. In addition, we have continued to invest in the Group's Space4 timber frame construction technology which has increased its production capacity by c. 19% to c. 9,500 units per year, consisting of c. 7,750 timber frames and c. 1,750 'room in the roof' systems.

Each of these projects will help the Group to increase certainty of quality and supply of key materials and support improved operating efficiencies.

Growth

+3%

16,449 homes

2017: 16,043 homes

HOW WE PERFORMED WITHIN THE MARKET PLACE - OPERATIONAL REVIEW

continued

Graphic removed

Improving our customers' experience

Delivering a good quality product for our customers and providing high levels of customer service throughout the home buying process is a top priority for the business. For the year to 30 September 2018, the percentage of our customers who would recommend Persimmon to a friend under the independent Home Builders Federation (HBF) survey was 79%, in line with the prior year and just short of the four star threshold of 80%. The Group has continued to invest in its customer care systems and resources during the year and this will continue to be the case in 2019 as we remain determined to improve customer satisfaction levels.

FibreNest

In response to feedback from substantial numbers of customers who were experiencing delays and poor performance from their broadband service providers, we established FibreNest, our own ultrafast, full fibre to the home, broadband service that aims to ensure all our customers are connected to the internet from moving in day onwards. The service has started very well and is highly rated by our customers. FibreNest is currently ranked in the top 30% of internet service providers in the UK*.

The Group now has over 630 customers connected to the service on over 35 sites. The Group intends to support new customers on future sites as this service is rolled out further.

Logo removed

Strong returns and capital discipline

The Group's return on equity for 2018 of 27.7% (2017: 26.5%) reflects continued disciplined working capital investment and strong levels of post tax profit which increased by £99.5m (13%) to £886.4m during 2018 (2017: £786.9m).

Persimmon's underlying return on average capital employed** for 2018 of 52.8% improved by 130 basis points from 51.5% in 2017. This further improvement in return on capital was supported by the 9% growth in underlying new housing operating margin*** to 30.8% (from 28.2% in 2017). The increase in underlying operating profit*** was delivered from average capital employed that was 10% higher than last year at £2.07bn.

With our focus on the cash intensity of the business, the Group has continued to deliver strong liquidity. The Group's free cash generation before capital returns of £732.3m was £477.7m or £1.53 per share. Since the launch of the new strategy, the Group has generated over £3.25bn, of free cash before capital returns.

* Ranked by Trustpilot.

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

*** Stated before goodwill impairment of £9.2m (2017: £11.0m).

Capital return

A key feature of the Group's strategy launched in early 2012 is to return capital that is considered to be surplus to the reinvestment needs of the business, to shareholders through the cycle. Our primary consideration in judging the level of surplus capital available is the assessment as to whether the business is operating at optimal scale in its regional markets, including executing disciplined, well-judged land investment at the right time through the cycle, whilst also minimising financial risk.

Total surplus capital of £7.20 per share, or £2.22 billion, has now been paid to shareholders.

As explained in the Chairman's Statement the Directors are maintaining the existing schedule of capital returns. The Board is pleased to announce the payment of 125 pence per share as an interim dividend in respect of the financial year ended 31 December 2018 to be paid on 29 March to shareholders on the register on 8 March 2019. In addition, the Board is pleased to

recommend to shareholders the annual payment of 110 pence per share will be made on 2 July 2019 as a final dividend with respect to the financial year ended 31 December 2018 to shareholders on the register on 14 June 2019. The total value of the Capital Return Plan to 2021 is now £13.00 per share compared to the £6.20 per share initial commitment made by the Board in 2012.

The schedule of payments under the Capital Return Plan is as follows:

Original Plan	Existing Plan	Original Plan Pence Per Share	Existing Plan Pence Per Share
28 June 2013	28 June 2013	75 paid	75 paid
	4 July 2014	-	70 paid
30 June 2015	2 April 2015	95 paid	95 paid
	1 April 2016	-	110 paid
	31 March 2017	-	25 paid
30 June 2017	3 July 2017	110 paid	110 paid
	29 March 2018	-	125 paid
	2 July 2018	-	110 paid
	29 March 2019	-	125^
30 June 2019	2 July 2019	110	110^
	2 April 2020	-	125^
30 June 2020	6 July 2020	115	110^
30 June 2021	6 July 2021	115	110^
Total		620	1300

^ Current anticipated profile of payments.

Over and above the Group's short term outperformance, the Board has also assessed the longer term prospects of the Group and the effectiveness of its strategy. The Board's conclusions are explained within the Viability Statement on pages 49 to 50.

Graphic removed

FINANCIAL PERFORMANCE

FINANCIAL REVIEW

“2018 has been another strong year for Persimmon. The Group has a strong balance sheet with a high quality land bank and our cash generation is healthy.”

Mike Killoran

Group Finance Director

Profitability

The Group's new housing revenue increased by £123.5m to £3,545.8m from £3,422.3m in 2017 (see note 5 of the financial statements).

During the year, new housing gross margins increased to 33.3% (2017: 31.3%). The combination of some modest improvement in selling prices (the Group's average selling price increasing by c. 1% year on year) and further improvement in land and build recovery rates as we have opened new developments through the year, have all contributed to the improvement in the Group's new housing margins.

The Group's lower land recovery rates compared to 2017 have secured an additional 150 basis point contribution to the Group's new housing gross margin year on year. For 2018, the value of the Group's land recoveries totalled 14.6% of new housing revenue (2017: 16.1% of housing revenue).

During 2018 the mix of our legal completions contained fewer larger Charles Church homes and a greater proportion of smaller Persimmon homes and homes sold to our housing association partners by our Westbury Partnerships business (more detail on our brands' performance is found on pages 26 to 28. This has helped contribute to a reduction in our build and direct costs which were 52.1% of new housing revenue (2017: 52.6% of new housing revenue).

Underlying operating profits' have increased to £1,091.9m (2017: £966.1m), a 13% increase, with an underlying new housing operating margin' of 30.8% (2017: 28.2%). In line with our expectations, margin progress was maintained with a second half underlying housing operating margin' of 31.8%, compared to a first half margin of 29.7%.

Asset strength

The Group has a strong balance sheet with net assets of £3,194.5m at 31 December 2018 (2017: £3,201.6m). Net assets per share decreased by 3% compared with the prior year to 1,006.0 pence (2017: 1,036.6 pence) following the return of £732.3m of surplus capital to shareholders during the year. In line with the Board's plans to optimise the level of cash held by the business over time and through the cycle, cash balances held at the year end totalled £1,048.1m (2017: £1,302.7m), a decrease of £254.6m.

At 31 December 2018 the carrying value of the Group's land assets was £2,077.2m, £66.6m higher than the prior year (2017: £2,010.6m). The Group owns 75,793 plots of which 47,305 have detailed implementable planning consents. A further 23,295 plots are under the Group's control, being plots where we have exchanged contracts to buy but where the contract remains to be completed due to outstanding conditions remaining unfulfilled. Our total owned and under control land bank provides six years of forward supply at 2018 volumes. During the year, 17,092 plots were added to our land bank. Continued conversion of land from our strategic land portfolio together with excellent value on-market acquisitions have maintained the Group's high quality consented land bank.

New housing gross margins

+6%

33.3%

2017: 31.3%

Our work in progress carrying value at 31 December 2018 of £881.8m was £157.9m higher than the prior year (2017: £723.9m). Whilst the Group's construction activity was delayed due to the poor weather in late February/early March 2018, we took advantage of the good summer weather to push forward with our build programmes. As a result, the Group is carrying a larger volume of plot foundations and infrastructure works on a number of sites such as Germany Beck, just south of York (a scheme for c. 630 homes) and Hampton Gardens in Peterborough (a development of c. 860 new homes) into 2019, providing a strong platform for build to progress in the first half of 2019.

By the end of the year the Group's work in progress investment represented 24.9% of 2018 housing sales, providing a stronger platform for future sales and product availability.

The Board reviewed the net realisable value of land and work in progress at 31 December 2018 using consistent principles to prior years and concluded that the carrying value was appropriate. At the year end the Group retained an impairment provision of £37.8m (2017: £41.9m).

The Group's total retained profits after tax for the year of £886.4m were 13% higher than last year (2017: £786.9m). The Group's retained earnings were added to by an after tax remeasurement gain of £16.4m associated with the Group's pension scheme asset of £90.6m. The net settlement of share options exercised in 2018 resulted in a £180.2m decrease in the Group's retained earnings.

Cash generation, net finance income and financial assets

Cash balances at 31 December 2018 totalled £1,048.1m (2017: £1,302.7m). The Group's cash generation remains healthy, £1,082.8m of cash was generated (2017: £1,382.6m) before the Capital Return Payment (£732.3m) and before net land spend (£605.1m). Indeed, recognising the payments of £206.6m made to HMRC in 2018 in respect of share options exercised during the year, gross cash generation for 2018 was £1,289.4m (2017: £1,382.6m). Judging the sale and timing of capital deployment through the cycle remains a strategic priority. At the year end, the Group's deferred land creditor obligations were £548.0m (2017: £567.3m). Cash inflow from operations, totalled £818.2m in 2018 (2017: £977.4m).

As a consequence of strong cash inflows from redemptions, the carrying value of the Group's outstanding shared equity loans, reported as "Shared equity loan receivables", has reduced during the year by £30.4m to £86.9m (2017: £117.3m). The Board has reviewed the carrying value of these receivables and has concluded that the value is appropriate.

Net finance income for the year was £8.1m (2017: £11.0m). Incorporated within this is £11.2m of gains generated on the Group's shared equity loan receivables (2017: £15.2m) and £9.3m of imputed interest payable on land creditors (2017: £10.2m).

FINANCIAL HIGHLIGHTS

Underlying operating profit* +13%

£1,091.9m

2017: £966.1m

Profit after tax +13%

£886.4m

2017: £786.9m

Cash -20%

£1,048.1m

2017: £1,302.7m

Free cash generation -15%**

£686.0m

2017: £806.3m

Cash generation pre land investment* -22%**

£1,082.8m

2017: £1,382.6m

* Stated before goodwill impairment of £9.2m (2017: £11.0m).

** Free Cash Generation is defined as net cash flow before financing activities and before £46.7m of employers National Insurance contribution payments in respect of share based payments (2017: nil).

*** Cash generation pre land investment defined as net cash flow before capital returns of £732.3m and before net land spend of £605.1m. (2017: capital return £416.6m and net land spend £576.3m).

FINANCIAL PERFORMANCE - FINANCIAL REVIEW

continued

Impact of the UK leaving the EU

Although currently there is increased economic and political uncertainty associated with the process of the UK's departure from the EU, market fundamentals remain supportive. Employment levels remain positive, interest rates continue at lower levels and mortgage lenders are keen to support customers with competitive mortgage products. The Group is in a strong position in its markets with a good range and choice of homes at lower price points across our national sales network. The Group has a very strong balance sheet with a high quality land bank, robust liquidity, substantial cash holdings and a strong forward order book. We have reviewed all the constituent elements of our construction costs together with the Group's supply chain. We have worked with our suppliers to identify any material supplies which may be exposed to some disruption to availability as a result of Brexit and we are working with them to adopt appropriate mitigating measures (see further detail on page 42).

The risks associated with the impact of the UK's departure from the EU are included in the Board's assessment of principal risks and viability set out on pages 44 to 50.

Shareholders' equity, treasury policy and related risks

The Board remains focused on returning surplus capital to shareholders to maintain an efficient capital structure whilst minimising financial risk through the economic cycle. The Group's Capital Return Plan schedule explained earlier in this report is continually assessed by the Directors.

The Group maintains a £300m Revolving Credit Facility with its five relationship banks. During the year the Group extended the maturity of the revolving credit facility to 31 March 2023.

We retain a focus on maintaining strong liquidity. The Group's revolving credit facilities will only be used to support short term seasonal working capital needs of the business. Delivery of the Group's strategic objectives will be supported by a combination of careful management of the working capital needs of the business, the generation of annual after tax earnings and the management of the Group's equity, debt and cash management facilities. 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.

Current trading outlook

Despite the current increased uncertainties regarding the future performance of the UK economy, customer activity levels have proved resilient with good levels of customers visiting our sites over the first eight weeks of the year. The housing market continues to benefit from higher levels of employment and resilient consumer confidence supported by lower levels of interest rates and a competitive mortgage market. The continuation of disciplined lending practices with active oversight and guidance by the Financial Policy Committee will help maintain greater sustainability of the market.

We believe market fundamentals remain strong based upon a long term unfulfilled level of demand. Our commitment to helping solve these difficulties is demonstrated by our continued focus on delivering growth in our output. The Group has increased its legal completions by over 75% since 2012, and has invested over £3.81bn in land over the same period to help bring as many new developments forward as possible. We support the Government's initiatives to assist the increase in output from the industry towards its goal of reaching 300,000 new homes built each year, across multiple tenures, by the mid-2020's. We remain keen to contribute to this increase in new home delivery and the Group is well positioned in its local markets with its attractively designed core house types, offering homes at more affordable prices on developments that concentrate on providing a good range and choice to all customers with an emphasis on first time buyers and first time movers.

As a result of the Group's strong levels of sales reservations through the autumn of last year, together with solid sales in the early weeks of 2019, the Group has a strong forward sales position (including legal completions taken to date in 2019) of £2.02bn. Whilst our average private owner occupier market sales rate per site in the first eight weeks of the year was 4% lower than the previous year, our later release of plots for sale on certain active sites together with the later release of a dozen sites for sale over the next few weeks provide the Group with the opportunity to build on this strong forward sold position, together with an improved ability to ensure we deliver the new homes reserved by our customers to more accurate move in dates.

The Group has c. 4,800 new homes forward sold to its housing association partners, 9% stronger than at the same point last year. Our Westbury Partnerships business expects to continue to offer the opportunity to acquire good volumes of new homes to its housing association partners, given the Group's strong investment in new land and external infrastructure works, which is enabling substantial new developments to be brought forward. Sites at Eve Parc in Cornwall for 300 new homes and at Mascall's Grange in Kent for 291 homes are good examples of developments which have substantial affordable housing allocations (100 and 105 affordable homes respectively) which will support the diversity and sustainability of these communities in the future as their housing needs are addressed.

We recognise that transaction volumes in the second hand housing market have been subdued for some time and we continue to offer our part exchange and home change facilities to support existing home owners' desire to purchase a newly built home from the Group. Our part exchange facilities were utilised by 10% of our private sale customers in 2018. We anticipate that more new home buyers may seek to take advantage of these opportunities as we progress through the current year, using our resale support to enable them to purchase new homes from the Group in locations in which they wish to live.

During the current year we will continue to invest in the future growth of the business to meet market demand, retaining flexibility to react to changing conditions as market events unfold. The Group's strong financial position provides a great platform to support this sustainable growth. However, we will remain vigilant to changing conditions in the sales and land markets to ensure we continue to judge our land replacement activity appropriately, recognising that the negotiations associated with the UK's exit from the EU present key uncertainties that may have a significant influence on market outcomes. The Group will continue to work tirelessly in partnership with local planning authorities to try and bring forward the Group's strategic land for inclusion in their

local housing plans, which are required to meet their communities' housing needs over the next five years in line with the National Planning Policy Framework.

The Board recognises that the excellent performance of the business in 2018 results from the dedication and hard work of the whole Persimmon team. The team will continue to strive for further improvements in its operational performance in pursuit of fulfilling the Group's strategic objectives. We remain confident that the Persimmon team have the skills, imagination and drive to continue to successfully develop the business and we thank all our employees and supply chain partners for their continued contribution to the success of the Group.

Graphic removed

STRATEGIC UPDATE

OUR STRATEGIC OBJECTIVES AT WORK

The Group places its customers at the centre of our business. We believe that the Group's strength is generated from our approach to achieving each of our six strategic objectives.

Graphic removed

Building quality homes for our customers

Persimmon differentiates itself by developing highly skilled land, planning and design teams that support the acquisition of sites in great locations where our customers wish to live and work. The Group generates further value for its customers and other stakeholders by master-planning desirable neighbourhoods using our attractively designed core house types that prioritise higher levels of customer satisfaction whilst seeking to reduce complexity as an aid to achieving greater site productivity and efficiency.

Our brands – providing the range, choice and affordability of homes

The Group's strategic objective to provide a range of desirable homes at affordable prices for our customers is supported by the Group's three distinctive brands, Persimmon, Charles Church and Westbury Partnerships. The Group seeks to deliver new homes across multiple tenures with the needs of our customers (particularly the first time buyer and first time mover segments of the market) at the forefront of our development plans. In addition to developing single branded sites, the Group also benefits from providing multiple brands on some of our larger sites such as Edmund Park in Frome (a scheme for c. 450 new homes) and Buttercup Leys in Boulton Moor, south of Derby (a development of c. 500 new homes).

Graphic removed

This creates the opportunity for the Group to secure the benefits of more efficient site operations, resulting in performance improvements being captured across the business from continuity of build programmes, site resourcing and customer care performance through to health and safety compliance. By attracting a wider range of the home buying public through the multiple branding of sites the Group is able to optimise sales rates and achieve a swifter asset turn.

39%

Total private sales for less than £200,000

Graph removed

Our brands' performance

Logo removed

Persimmon Homes
average selling price

£224,749

(2017: £215,336)

The Persimmon brand delivers traditional family housing to the private owner occupier market. In the year under review Persimmon delivered 11,947 new homes, 458 (or 4%) more than 2017, representing another strong year of growth.

This year on year growth in the number of homes sold has driven a £211.1m increase in total revenues to £2,685.1m. The brand's long term growth reflects the business' ability to meet market demand by fulfilling the needs of our customers at affordable prices.

Persimmon's highest volumes were generated in our Shires and Midlands regional markets which legally completed 1,834 and 1,830 new homes respectively.

The Persimmon brand's average selling price of £224,749 (2017: £215,336), which is slightly lower than the average UK house price in December 2018 of £230,776*, reflects the Group's ongoing commitment to delivering good quality housing at affordable prices.

Graphic removed

STRATEGY IN ACTION

In our Western region, sites at Weston Super Mare, Oakwood View, and at Bridgwater, Kings Copse contributed excellent volumes during the year.

Both sites benefit from being in convenient locations offering easier access for commuting and excellent local amenities.

As such, the developments have been very attractive to customers in that area and the use of the Group's core house types, our Space4 modern method of construction techniques and our detailed management of construction programmes meant that efficient build rates were achieved to meet the demand from our customers in these areas.

Our Persimmon southern regional markets secured 44% of the brand's legal completions (5,230 homes), growing by 8% compared with 2017. Persimmon's sales in these southern markets generated 51% of the brand's revenues with an average selling price for the year of £260,074 (2017: £250,228).

Persimmon's highest average selling price of £305,197 (2017: £287,713) was in our Southern region with higher value sites at Urban Central in Grays, Essex and Hatchwood Mill in Winnersh in Berkshire.

The lowest average selling price for the brand of £176,802 (2017: £173,786) was in the Wales regional market where sites at Oakwood View and Dol Yr Ysgol, both near Bridgend in mid Glamorgan, generated high volumes of new homes to our customers at lower price points.

Our focus on expanding our geographical footprint has resulted in the creation of seven new businesses over the last four years. Recognising that our new South Yorkshire business was only opened on 2 January 2019, the remaining six new businesses generated 17% of Persimmon's legal completions and housing revenue in 2018. Our new operating business based near Ipswich in Suffolk opened at the start of 2018 and made a strong start delivering 348 new homes in 2018, including 224 Persimmon homes, 23 Charles Church homes and 101 Westbury Partnership homes.

* Source: Office for National Statistics.

STRATEGIC UPDATE – OUR STRATEGIC OBJECTIVES AT WORK

continued

Logo removed

Charles Church
average selling price
£355,133
(2017: £351,218)

The Charles Church brand both complements and differentiates itself from Persimmon by offering the customer a choice of executive housing in premium locations across the UK, with larger house types with increased specification.

With this market positioning Charles Church has retained its focus on delivering higher value new homes with 61 active sales outlets at the end of 2018 (2017: 74 outlets). Charles Church generated revenues of £495.1m in 2018 (2017: £626.9m) from 1,394 legal completions (2017: 1,785).

The Charles Church average selling price increased 1% to £355,133 (2017: £351,218), with 59% (2017: 57%) of its sales being completed in southern markets. For example, strong demand and pricing were experienced at Wyvern Farm, Stanway in Essex and The Croft, Burgess Hill, West Sussex. Both sites benefit from a range of homes in excellent locations with good local amenities and excellent schools.

Logo removed

Westbury Partnerships
average selling price
£117,653
(2017: £116,068)

Westbury Partnerships is our brand delivering affordable social housing. Westbury Partnerships plays a key part in the delivery of new homes for the benefit of lower income occupiers, offering solutions to some of the country's affordable housing problems.

The brand delivered 3,108 new homes to our housing association partners during 2018, an increase of 12% when compared to the previous year (2017: 2,769). In total, Westbury Partnership volumes represented 19% of the Group's legal completions during 2018 (2017: 17%). The average selling price for these homes increased by 1% to £117,653 (2017: £116,068).

The Group delivered 58% of Westbury Partnerships' new homes in our southern regional market (2017: 62%).

We are keen to continue delivering affordable housing in increasing numbers to all our housing association partners across the whole of the UK. The Group will seek to further develop these strong relationships in order to support as many lower income families as possible to access the housing market in line with the aims of the National Planning Policy Framework. The Group currently has c. 4,800 affordable housing units forward sold in our order book (2017: 4,420).

The Group is focused on providing affordable housing to all of our customers. To further support this objective, Westbury Partnerships works closely with Homes England and the Housing Agencies in Scotland and Wales to manage our relationships in association with the Help to Buy: Equity Loan scheme in England and the similar schemes in Scotland and Wales. These schemes provide customers with greater access to the housing market as it enables them to buy a home with a lower deposit and at lower interest rates than many other mortgage options. During 2018, the Group delivered 7,970 (2017: 7,682) new homes to customers who elected to use the Government sponsored Help to Buy: Equity Loan scheme.

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Graphic removed

Building good quality homes

The Group's core house types, modern methods of construction and high quality supplies are important elements in supporting our aim of delivering consistent build quality across all our developments. Our build programmes include detailed quality checks at each stage of the build process from foundations and slab ' inspections to pre-plaster and pre-paint inspections. All of our homes are sold with a 10-year warranty backed by either the National House Building Council (NHBC), Local Authority Building Control (LABC) or Premier Guarantee and, in addition to our inspections, each warranty provider conducts their own independent checks at critical build stages. In addition, senior employees at each operating business conduct quality inspections on a proportion of our finished homes. This careful, detailed build process is designed to deliver consistently good quality homes for our customers across the UK. We support the further improvements being developed by the All Party Parliamentary Group with respect to the new homes market and we will continue to contribute to the work of the Home Builders Federation (HBF) in supporting these measures.

Customer service

We understand the importance of delivering high levels of service to our customers. We participate in a National New Homes Survey, run by the HBF, which awards homebuilders stars for customer satisfaction. The survey year covers the period from 1 October to 30 September and the rating system is based on the number of customers who would recommend their builder to a friend. Our 2018 rating from the HBF is 79%, just below a four star rating (the threshold for which is 80%). This rating, whilst in line with last year remains a key focus for us, with an improvement in our customers' experience being a key objective for the Group in 2019 and beyond.

FIBRENEST

Logo removed

Having listened to our customers, we understand that they have been increasingly frustrated with delays to their broadband connection by existing suppliers.

In addition, the speeds available from these services can be disappointing at times. We recognise that a reliable broadband connection is considered to be the "fourth utility" for a large number of our customers. For this reason, we have established FibreNest, our own ultrafast, full fibre to the home, broadband service which aims to be available to our customers from moving in day.

Working with experienced partners, FibreNest provides ultrafast speeds coupled with excellent levels of service, both during installation and for the duration of the service, through a UK-based call centre and utilisation of highly experienced engineers. The first customers were connected in August 2018 and the service has been introduced across more than 35 sites with further roll outs planned. The FibreNest service is highly rated by our customers and FibreNest is currently ranked in the top 30%* of internet service providers in the UK.

* Ranked by Trustpilot.

STRATEGIC UPDATE - OUR STRATEGIC OBJECTIVES AT WORK

continued

Graphic removed

Building quality homes for our customers continued

Our customers tell us that good communication throughout the home buying process is very important, particularly regarding the crucial "move in" date. In 2018, we continued to focus on improving the systems and processes in place for communicating with our customers. These improvements ensure our customers are kept informed at all key stages, including finalising their moving in date.

We appreciate that despite our best efforts, there will be some occasions when customers experience an issue with their new home. We listen to our customers and act as promptly as possible to deal with any concerns. We have substantially increased the level of resources and skills in our customer care departments in order to improve the speed and efficiency with which we deal with our customers' issues. Our customer care operatives have received additional site based training that aims to reduce the time taken to rectify any points raised. Whilst we have seen some success in this area we continue to aim for further improvement. Since 2014, while the number of homes the Group has delivered to its customers has increased by 22%, the level of our on site resource has increased by 66% and the resource in our customer care departments has increased by 93%.

In response to feedback from customers we have increased the flexibility of the working hours of our office based customer care staff. Our customers are now able to contact a customer care team member outside of normal working hours, at times more convenient to them. In addition, from the beginning of 2019 our site based customer care operatives are available out of hours, including Saturday mornings, to attend appointment times which are more convenient for our customers.

A key objective for 2019 is to continue to deliver tangible improvements in the level of customer satisfaction. We will focus on providing site staff induction training to cover all customer care processes, make significant investment in technology that will improve communication between our regional offices, our customer care departments and our customers, and we will continue to offer a more flexible and convenient service to our customers.

Graphic removed

We believe that this continued investment in our customer care resources will improve service between the notification of an issue and its resolution, provide an enhanced customer experience and ensure we achieve progress in our customer satisfaction levels.

Customer care performance will continue to be included in bonus and incentive criteria for our senior operational management, aligning their interests with this priority for the Group.

Private sales to first-time buyers

51%

2017: 48%

Graphic removed

Supporting sustainable communities

We create attractive neighbourhoods for our customers, with good infrastructure and access to local amenities. We engage with local communities and work closely with planning authorities to deliver much needed affordable and private market housing to ensure we develop successful and sustainable neighbourhoods that effectively integrate within existing communities.

Our land acquisition process aims to acquire sites in attractive locations where demand for homes is high. The Group has invested in highly skilled land, planning and design teams who have the knowledge and experience to deliver sites which provide the range, choice and affordability of homes that our customers require. In addition, our teams assess how we can mitigate our impact on existing communities and enhance local facilities providing investment in local infrastructure such as transport, education, retail and recreation facilities.

All of our developments are designed to promote social inclusion, incorporating housing for families with a broad span of incomes. In 2018, we provided 3,108 homes, or £366m of housing, to housing associations and a further 225 homes, or £28m of housing, to qualifying customers using affordable Discounted Open Market Value Housing. This is housing that is sold at a discount of around 20-30% to the local market value with the discount remaining with the property in perpetuity. These homes can only be purchased by customers who meet eligibility criteria set by local councils. Overall, we provided £394m of affordable housing for lower income families in 2018 (2017: £348m).

Engaging with Our Communities

We have 31 regional teams with detailed knowledge of the local communities in which they operate. In addition to fulfilling the housing needs of our customers by delivering newly built homes to their local market, our teams seek to support their local communities in a variety of ways:

- By consultation throughout the planning and development process
- By employing local tradespeople
- By engaging with local suppliers
- Through charitable donations to support local good causes
- Through engagement with local schools
- By delivering new amenities
- By delivering improvements to local infrastructure

The Group strives to deliver excellence in planning and our sensitivity in understanding the impact our developments have on wider society ensures that our developments are fully integrated into existing infrastructure as well as delivering improvements that benefit existing residents. Under the planning process, we invest in local communities in many forms, such as parks and open space; education provision; community buildings and roads and other infrastructure, either through direct construction or through financial contributions to local authorities. During 2018 we contributed over £80m to local communities (2017: £64m) through planning contributions to local authorities. Of the money contributed, £31.2m related to education provision.

STRATEGY IN ACTION

Graphic removed

Pupils from Millbank Primary school in Grove, Oxfordshire were welcomed to our Wellington Gate development which will provide approximately 190 homes (of which c. 30% will be to housing associations).

To mark the opening of this new development, on the outskirts of Grove in Oxfordshire, 20 pupils visited the site and were asked

to create designs for a 'house of the future'. Their work has been saved inside a time capsule and the pupils watched as their designs were safely buried on the site for future generations to discover. The pupils were also given a presentation on the connection between science and construction and safety around building sites.

STRATEGIC UPDATE - OUR STRATEGIC OBJECTIVES AT WORK

continued

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Supporting sustainable communities continued

The Persimmon Charitable Foundation

The Persimmon Charitable Foundation made c. 900 donations, amounting to £1.3m, to local charities, community groups and good causes and to local sporting organisations, in 2018. The Foundation ran two campaigns during the year, our successful Community Champions campaign, aimed at local charity and community groups, and our Healthy Communities campaign, aimed at supporting local clubs offering sporting facilities for children and young people. Organisations can apply for funding online at www.persimmonhomes.com/charity.

The Community Champions campaign was launched in 2015 and provides funding to local community groups and charities operating in the areas in which we build across the UK. Each of our 31 operating businesses and our head office make donations of up to £1,000 every month to each of two local good causes, to match the organisations own fund raising efforts. During 2018, Community Champions donated c. £770,000 to c. 800 local groups.

The Foundation's Healthy Communities initiative concluded in 2018 and over the course of a year has donated more than £600,000 to support amateur sports clubs, teams and individuals aged 21 and under in England, Wales and Scotland. This initiative encouraged local sports teams to apply for a donation from the Foundation. Almost 200 sporting organisations or individuals received a donation of £750 for sporting equipment and kit.

In January 2018, the trustees of the Foundation, together with an independent leading fund raiser, picked 30 finalists from all of the applications received to be put forward to a public vote, with the winner receiving a £200,000 donation and two runners up receiving £50,000 each. The other finalists received a donation of £5,000 each. In determining the finalists, the panel were looking to reward those who came up with the most innovative and compelling ideas as to how they would use the prize money to benefit young people in sport.

The Healthy Communities winners were announced at a gala dinner held in March 2018, to which representatives of each of the finalists were invited. The dinner was generously supported by a number of the Group's major suppliers and the evening itself raised £13,000 for the Charitable Foundation's funds.

The Heart of England Boxing Club was the eventual winner. This Leicestershire club helps young people overcome issues such as ADHD, autism, anti-social behaviour and bullying, and received a cheque from the Persimmon Charitable Foundation for £200,000. SportsAble in Maidenhead and Park Wrekin Gymnastics Club in Shropshire each received a donation of £50,000 as runners up.

Following the success of Healthy Communities, in January 2019 we launched a new initiative, Building Futures, which aims to donate over £1 million to support children across the UK. We are joining forces with Team GB – the Great Britain and Northern Ireland Olympic Team run by the British Olympic Association – to help organisations that support children across England, Wales and Scotland. Building Futures is solely for children under the age of 18. We will be aiming to make donations in three areas; amateur sport, health (physical and mental) and Arts and Education (schools and clubs outside of schools).

As an official partner of Team GB, we are extremely proud to be supporting the organisation in the run up to, and beyond, the next Olympic Games in Tokyo.

Graphic removed

The Heart of England Boxing Club received a £200,000 donation in March 2018, which helped them secure a new venue.

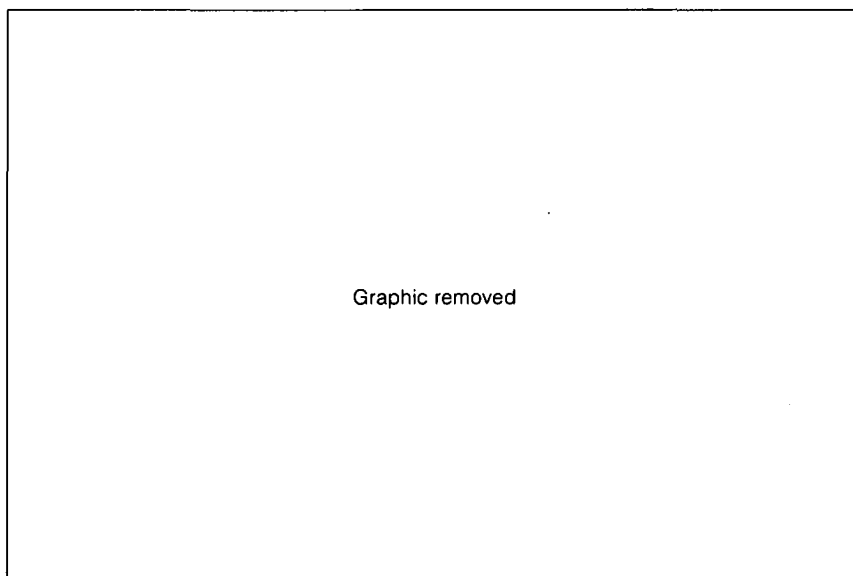
This donation will allow the club to purchase land and build its own gym after being forced to relocate, thus removing any future risk of forced relocation and, in the words of the club's Head Coach, "make them masters of their own fate". It will allow the club to concentrate on what it does best: delivering expert coaching and nurturing young talent within Leicestershire and the wider Midlands region. The club also has plans to use its new premises to benefit the wider community.

Logos removed

Building safely and responsibly

Building safely and responsibly remains a key focus for the Group. Maintaining excellent health and safety standards and ensuring the wellbeing, health and safety of our employees, workforce and customers is of paramount importance to us. The Group is committed to being proactive in striving to reduce the health and safety risks associated with all the work activities the Group undertakes.

The Board ensures that the investment in Group Health and Safety resources devoted to ensuring our development sites, manufacturing plants and offices remain safe and healthy environments, is appropriate to support Operational Management at Group, Regional and Operating Business level. The Health and Safety team under the direction of our senior management team has considerable experience in providing both a pro-active advisory, and reactive incident led, approach to identify and mitigate health and safety risk.



Pre-start and ongoing planning of construction activities as our sites progress is undertaken by our management as they strive to maintain high levels of health and safety performance. The Group provides extensive training to safeguard the wellbeing of all people who come onto our sites, manufacturing plants or into our offices including construction and sales staff, customers and the local communities surrounding our sites.

In addition to the training and planning that is undertaken, both our Group Health and Safety Department and our operational management teams carry out regular monitoring and review of all our work activities to maintain the required standards detailed in the Group Health and Safety Policy. In 2018, the Group Health and Safety department undertook 5,971 pro-active site inspections (2017: 5,776).

During 2018 we reported 45 construction work related incidents in our housebuilding operations to the Health and Safety Executive under the Reporting of Incidents, Diseases and Dangerous Occurrences Regulations (RIDDOR). This was four less than the previous year (2017: 49) and with a further increase in production the level of build per RIDDOR improved to 365 legal completions per RIDDOR (2017: 330). The RIDDORs per thousand workers also improved compared to last year at 3.22 accidents per thousand workers (2017: 3.62). In our manufacturing operations we reported three RIDDORs in 2018 (2017: three).

STRATEGIC UPDATE - OUR STRATEGIC OBJECTIVES AT WORK

continued

Graphic removed

Supporting sustainable communities continued

Minimising our environmental impact

The Group is committed to managing the direct and indirect impacts on the environment of both the new homes we build and our ongoing business operations.

The Group identifies all major environmental risks it faces in both the short and long term and our development processes include appropriate management actions that will mitigate these risks. Addressing these issues at the start of our development plans ensures our environmental performance remains robust and helps the Group secure more sustainable business processes.

The environmental impact of our homes

We believe that the most important indirect environmental impact of our development activities is the ongoing impact of our new homes. The Group's focus is therefore on building new homes to high sustainability standards harnessing the benefits of good design and improvements in materials and building techniques to deliver new homes with high sustainable qualities.

The environmental impact of our operations

We monitor our own operational efficiency and direct environmental impact in a number of ways including measuring our greenhouse gas emissions (CO₂e) and the amount of waste that we generate and recycle for each home we build.

As noted on page 23, the Group took advantage of the good summer weather to advance our build programmes, resulting in larger volumes of plot foundations and infrastructure works being carried out on a number of sites to provide a strong basis for build to progress in the first half of 2019. This earlier investment is the main reason for the Group's increase in greenhouse gas emissions in 2018 compared to the prior year.

The Group remains focused on reducing our greenhouse gas emissions, on a like for like basis. We have implemented a range of initiatives, embracing both our operations and procurement practices, to improve the Group's environmental impact. This has included securing faster connection of new homes to the National Grid, thereby reducing the need for diesel to power on site generators, and the replacement of older plant and equipment with newer, more fuel-efficient alternatives.

We have again participated in the CDP climate survey, alongside many of the world's largest companies. To do this, we supply information on climate risks and our low carbon opportunities. Our participation demonstrates the importance we attach to the challenges posed by climate change and how we are addressing these issues, both at a strategic and operational level. We maintained our rating for 2018 at C (Awareness). For 2019, we aim to externally verify our greenhouse gas emissions data which may help us to identify further areas where we can reduce our greenhouse gas emissions and improve our rating in the CDP survey.

Brickworks

The Group's Brickworks facility, manufacturing concrete bricks, is now fully operational. The Group's use of concrete bricks on its developments has increased over recent years. Concrete bricks are easier to make and their manufacture and use generate significant savings in greenhouse gas emissions when compared to the production of clay bricks using natural gas fired kilns. Each tonne of concrete bricks produces 100 kg of CO₂e less than the same quantity of clay bricks during the manufacturing process. Additionally, concrete is an absorber of carbon dioxide and these bricks are fully recyclable.

Greenhouse Gas Emissions*

tonnes CO ₂ e	2018	2017(restated)**
Scope 1 emissions from gas, transport and construction site fuel use	35,450	30,050
Scope 2 emissions from electricity use	2,950	3,470
Total greenhouse gas emissions	38,400	33,520
Greenhouse gas emissions per home sold	2.33	2.09

* To calculate our greenhouse gas emissions we collate data from across the Group and from our suppliers to identify the amount of energy used in our operations. Greenhouse gas (GHG) emissions are reported in line with the UK Government's Environmental Reporting Guidelines, including mandatory GHG reporting guidance (June 2013), and have been calculated using the GHG factors outlined in the BEIS 2018 Government GHG Conversion Factors for Company Reporting (July 2018).

** During 2017, the Group brought in-house some direct groundworks operations, in order to provide improved control over our build processes and programmes with associated efficiency gains. The 2017 greenhouse gas emissions data has therefore been updated to include these business operations for the full year in order to provide a more appropriate comparator.

FABRIC FIRST

Logo removed

All of our homes are designed to have good levels of energy efficiency. We harness the benefits of good design and improvements in materials and building techniques, to build homes to high sustainability standards.

The average Standard Assessment Procedure (SAP) rating of our new homes is 83, which is around 40% more energy efficient than the existing housing stock, which has an average SAP rating of around 60. The use of Space4's timber frame build system is one way we help to ensure high levels of insulation and air tightness resulting in the homes built requiring less heating while also improving heat retention.

Waste generated

During 2018 the percentage of waste we recycled increased to 96% (2017: 92%) and the amount of waste per home built decreased to 6.73 tonnes (2017: 7.25 tonnes). One of the reasons we have recycled more of our waste is due to the increased re-use of brick and block waste on site. This brick and block waste is crushed for re-use on site, for example in piling platforms and scaffold bases, which not only reduces the amount of waste we send to landfill, but also reduces our requirement for third party aggregates. We have identified a number of operational areas where we can seek to drive improvements in the amounts of waste produced and reduce the cost of disposal. For example, we require our operating businesses to improve the segregation of waste on our sites in order that we have a better understanding of the type of waste we are producing so that it is more efficiently controlled. Our operating businesses are also using smaller skips and are now producing league tables for skip usage on sites in their region.

Climate Change

The potential impacts of climate change and how best to address them are systematically considered during the planning, development and building process of each of our sites. We take the effects of climate change very seriously when developing our sites. The Group conducts full environmental assessments for each parcel of land we acquire for development to ensure our activities fulfil all obligations, respecting the natural environment and the communities for which we are delivering newly built homes. Our development master plans seek to maintain green spaces as a key element supporting the health and wellbeing of local communities. In 2018 we incorporated over 300* hectares of public open space and gardens in our developments. The Group works closely with planning authorities and other statutory bodies to identify and implement the most effective counter-measures that mitigate the effects climate change may have on our operations. For example, around three quarters of our current developments incorporate Sustainable Urban Drainage Systems to address the risks of flooding caused by changes in weather patterns. During 2018, the Board reviewed its principal risks and included climate change as a principal risk.

Further information can be found on our policies, including our Environment Policy, Waste and Resource Management Policy and Climate Change Position Statement which are available on our corporate website at www.persimmonhomes.com/corporate.

Graphic removed

* Estimated using average garden size and site density.

STRATEGIC UPDATE - OUR STRATEGIC OBJECTIVES AT WORK

continued

Graphic removed

Maintaining a diverse, skilled workforce

A large part of the success of our business is due to the energy and commitment of our workforce at all levels. The Group has a close knit, entrepreneurial and meritocratic culture where we strive for excellence. Our people are encouraged to contribute new ideas in an open environment to enhance the Group's processes. The Group recognises the importance of having a diverse, skilled and engaged workforce to ensure we have access to the talent we need. The Group's average number of employees increased by 6% in 2018 to over 4,800. We are proud that Persimmon has a long history of promoting from within the business. Our growth provides opportunities for our employees to develop rewarding careers with us.

Training

Due to the growth in the housebuilding industry over recent years, the labour market for housebuilding skills remains constrained. To address this and to provide opportunities to develop good careers in the Group we continue to invest in training to build the skills base of our workforce. This involves a large programme of graduate, trainee and apprentice recruitment and training.

Graphic removed

YOUNG ACHIEVERS OF THE YEAR AWARDS

The Group recognises and rewards the talent and hard work of its young workforce through its Young Achievers of the Year Awards. Established in 2014, these awards recognise the achievements of Persimmon's trainees and apprentices who have excelled in their roles. There are four awards available and nominations for these awards are made by the Group's operating businesses with the finalists in each category attending a special awards ceremony.

The 2018 Young Achiever was Billy Kettlewell from our Severn Valley operating business. He joined Persimmon in 2011 as a Management Trainee and is now a site manager at a highly popular and successful development in Weston-Super-Mare.

Billy was also named winner of the Duncan Davidson award, which seeks to recognise young people who have demonstrated the same entrepreneurial flair and spirit that Duncan demonstrated nearly 46 years ago, when Persimmon was founded.

In addition to Billy, the other young people recognised this year were:

- Trade Apprentice of the Year – Faisal Yousef from Persimmon Homes Anglia (left)
- Business Trainee of the Year – Ben Cherrill, Persimmon Homes Essex (right)
- Sales Trainee of the Year – Courtney Lynch, Persimmon Homes North West (second from left)

In 2018, the Group provided c. 11,000 training days (excluding apprenticeships) to our employees and construction workforce (2017: c. 10,600). In addition, we currently have 381 traditional apprentices training within the Group, which is among the largest commitment to apprentice training in the housebuilding industry, together with around 80 sales trainees and a further 170 colleagues training in disciplines such as quantity surveying, planning and construction. In total, almost 15% of our workforce is participating in a formal training programme.

In 2019, the Group has invested in its Human Resources function, increasing the team by c. 40%, particularly in the training function to enhance the level of support and guidance provided to our employees. This investment will allow us to extend both the scope and scale of the personal and professional development opportunities to colleagues across the business.

The Group continues to be heavily involved in the Home Building Skills Partnership, a joint initiative of the Construction Industry Training Board and the Home Builders Federation (HBF) that aims to address the shortage of skilled workers in the industry.

Voluntary Living Wage

We are pleased to report that with effect from January 2019, the Group has adopted the payment criteria of the Living Wage Foundation for its employees. The relevant Real Living Wage is currently £9 an hour for our employees and is calculated based on living costs. Although the vast majority of our employees were already paid above this level, this has led to some small changes to pay structure for 64 employees and increases for 2% of our employees.

Diversity in the workforce

At 31 December 2018, the number of people we employed increased to 4,943 (2017: 4,713) of whom 3,705 (75%) were male and 1,238 (25%) female (2017: 3,559 (75%) male; 1,154 (25%) female). At 31 December 2018 we had two female and six male directors on the Company's Board and 35 female and 154 male colleagues in our 189 strong senior management team.

We have published our Gender Pay Gap report for 2018. The median pay gap for the Persimmon Group was 8.0% (2017: 7.9%), compared to the Office for National Statistics figures for 2017 of 18.4%. Further information can be found in our Gender Pay Gap report on our website, www.persimmonhomes.com/corporate.

The Group is committed to reducing the gender pay gap and increasing the number of women in its workforce, and in the senior management team. Indeed, of the total year on year increase of 230 employees, 37% were female. In 2018, the Board established a Gender Diversity Panel to consider and suggest policy amendments and initiatives to improve the gender diversity of the Group, particularly within its senior management team. The Panel is made up of four female members of the senior management team. They have set an initial goal of engagement with local schools and colleges during 2019 to promote the benefits of working within the housebuilding industry to young women. The Panel also recommended that the Group adopt a more formal flexible working policy to support both men and women. This policy is being introduced in the first quarter of 2019 for office based staff.

Persimmon is also a member of the Apprenticeship Diversity Champions Network (ADCN), part of the National Apprenticeships Service. ADCN members are apprentice employers who champion diversity and drive an open and inclusive culture in recruitment and employment practices. The Group shares case studies and best practice with the aim of promoting diversity in the recruitment of apprentices. We are also part of the HBF Diversity Group and are actively participating in their initiative to raise awareness of mental health in the construction industry.

Employee Engagement

The Group encourages feedback and new ideas from its staff to enhance our culture, systems and processes. In February 2019, to enhance the Group's existing engagement channels, an Employee Engagement Panel was established consisting of twelve voluntary members from a wide cross section of employees across the business, plus the HR Director, who will chair the Panel. The membership of the Panel will enable the views of a broad cross section of employees, both site and office based, to be represented. The Panel will meet twice a year and will strengthen feedback to the Board from two way dialogue with the Group's employees. Some meetings will be attended by a member of the Board in order that the Panel can hear directly from them.

Members of the Board regularly visit the Group's local businesses to see operations first-hand. Informal dinners are held with Board members and local senior staff, which are an opportunity for the Directors to receive feedback and to further explain matters of particular focus and importance for the Group.

STRATEGIC UPDATE - OUR STRATEGIC OBJECTIVES AT WORK

continued

Graphic removed

Maintaining a diverse, skilled workforce continued

In addition, we publish an employee newsletter "HQ" regularly throughout the year. A formal facility is incorporated where employees can provide their feedback with any received being provided to the Group's Corporate Responsibility Committee for consideration.

Human Rights

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

As we are a UK housebuilder and the vast majority of our subcontractors and suppliers are also UK based, we do not consider that human rights abuses, modern slavery and bribery represent a significant risk to our business. However, we have appropriate procedures in place to provide assurance that our employees and suppliers are working to the high standards we demand.

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

We continue to take our role in combatting modern slavery and human trafficking seriously, and have implemented a number of initiatives within the year to strengthen support in this area. This included a detailed survey and analysis of our supply chain to increase supplier and sub-contractor awareness of modern slavery and to identify and further mitigate potential risks. Further detail on this survey and our other initiatives on modern slavery are set out in detail within our 2018 Modern Slavery Statement on our website.

Staff are given details of the Group's Anti-Bribery policy and management reinforce the adherence to our policies and procedures. In addition we have whistleblowing facilities to ensure employees and others can raise concerns confidentially. During the year we ran a campaign to remind employees of the whistleblowing facility. Any whistleblowing reports are investigated by our Group Risk department.

PROMOTING FROM WITHIN

Graphic removed

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Persimmon is proud to be able to offer the opportunity for people to develop long term careers within the Company.

Our culture is one where achievements and success are recognised and our preference is always to promote from within rather than recruit from outside the organisation. Last year, 243 of our colleagues were promoted across the Group, which leads to positive succession at all levels of the business and in particular enables our trainees to map their career paths.

We have recently promoted three of our MDs, who between them have 50 years' service with the Company. John Eynon (centre) has been promoted to Regional MD with responsibility for our three operating businesses in the North East, while Simon Usher (left) and Martyn Clark (right) have been promoted to Regional Divisional Directors with responsibility for our Yorkshire and South East Regions respectively.

55 YEARS OF SERVICE

Graphic removed

We are proud that we have a number of long serving employees throughout our Group, 220 having over 20 years' service. One of our longest serving employees, Brian Robinson a joiner who worked at our Durham office, retired from the Group on 31 December 2018 after an amazing 55 years' service with the Group. He began working for Beazer Homes in 1963 and has worked at sites throughout the North East during his time with the Group. Dave Jenkinson was delighted to personally congratulate Brian on his long service and wish him well in his retirement.

Graphic removed

Providing a sustainable supply of high quality land

The Group's land buying and management strategy, which ensures our continued growth over the longer term, is to continue to make substantial investment in good locations where people wish to live and work across the UK. Our planning and acquisition processes work in partnership with local planning authorities and involve the local community and other stakeholders as appropriate. Once sites have been identified, further value is engineered through innovative design, the use of our core house types, introducing simplicity and economies of scale, and the creation of attractive neighbourhoods for our customers.

Delays in achieving planning consents remain a constraint on the speed with which we are able to deliver the new home volumes required to satisfy local communities' housing needs. The Government's Revised National Planning Policy Framework, published in July 2018, aims to make it easier for planners, developers and local councils to deliver good quality homes in places where people want to live, at a faster pace. The Government's ambition is to achieve the delivery of 300,000 new homes a year across all tenures by the mid 2020's. We welcome the initiatives to support the development of a more efficient planning system which will enable the industry to continue to expand output and deliver the new homes the country needs.

All of the Group's land acquisitions are assessed on a consistent basis by dedicated and experienced management teams taking into account likely levels of profitability and the sites' projected return on capital employed. Acquisitions are only made when specific thresholds are met.

The Group has maintained a robust high quality land platform for the longer term by maintaining a disciplined approach to land investment, remaining increasingly selective given the risks and uncertainties generated by the headwinds confronting the UK economy, in particular those relating to the process of the UK leaving the EU. Given the strength of the existing land bank the Group can, and will, remain selective in its land replacement activities moving forward.

Our land bank

The Group has an excellent track record of successfully managing the promotion of land through the planning system and its subsequent acquisition. We have delivered 97,175 homes since 2012, invested £3.81bn in new land and acquired c. 133,000 plots. This has been achieved while maintaining greater velocity of asset turn supporting superior levels of returns for our shareholders.

Our land bank (at 31 December)

Graphic removed

Graphic removed

STRATEGIC UPDATE - OUR STRATEGIC OBJECTIVES AT WORK

continued



Graphic removed

Providing a sustainable supply of high quality land continued

At the year end the Group owned 75,793 plots of land. Within this land bank, the Group owned 47,305 plots on sites with detailed planning consent, which are all under development. This will provide c. 2.9 years of forward supply at 2018 output levels. These plots will provide support to each of our regional operations as they seek to achieve a sustainable market share. The Group has also entered into conditional contracts for an additional 23,295 plots on land which we are actively promoting through the planning system.

The Group's land bank strength allows us to serve our markets best by continuing to invest in the right land at the right time. The growth in the Group's new home delivery of over 75% since the launch of the Group's new strategy in 2012 has been enabled by the substantial investment in new land over the last six years.



Graph removed

Our brands' investment in land

During 2018, our Persimmon brand acquired 12,811 new plots of land resulting in a forward consented land bank at the end of 2018 of 69,275 plots (2017: 68,411). Of these total plots, 33,992 have an implementable detailed residential planning consent (2017: 37,867) with all sites under construction. At 2018 output levels the current land bank represents c. 2.8 years of forward supply.

Charles Church owned and controlled 11,448 plots in its forward consented land bank at the end of 2018 (2017: 11,191). Of these total plots 5,274 have an implementable planning consent (2017: 5,774) providing c. 3.8 years of forward supply at 2018 sales volumes. This forward supply reflects the success achieved in gaining detailed planning consents on some larger Charles Church developments, for example at Penny Pot Lane in Harrogate, North Yorkshire, a development for 367 homes. During the year 1,651 new plots were acquired by Charles Church.

Our strategic land

A fundamental element of the Group's business model is the continued investment in strategic land and successfully promoting this land through the planning system to deliver plots with detailed residential consent. During the year we acquired interests in a further c. 950 acres of strategic land and we converted 3,772 plots of land from our strategic land portfolio, representing c. 23% of the Group's land consumption. Conversions from our strategic land bank continue to ensure the Group remains in a strong position to offer new housing to local communities across the UK.

We are confident that our strategic land portfolio of c. 16,500 acres will, in due course, yield in excess of 100,000 forward plots for future development by the Group and will continue to support planning authorities and local communities to bring these sites through the planning system as quickly as possible.

The successful promotion and conversion of plots from our strategic land portfolio remains a focus for the Group and adds to the strength of our land bank.

During the year, the Group's Persimmon business enjoyed success in securing planning consents for residential development from its strategic land portfolio with 2,862 plots, across 22 sites, being delivered into its owned and under control land bank, representing 24% of the plots consumed by legal completions in the year. Notable strategic land conversions were achieved at Sacriston, Monkswood, in Durham, a c. 200 unit development and at Portchester, Cranleigh Road in Hampshire, a site that will deliver c. 120 homes.

Graphic removed

Securing quality and availability of materials

Engaging with our supply chain

The Group enjoys long established and strong relationships with each of our main suppliers which we greatly value having invested in these over the long term. We have a centralised procurement department that seeks to secure Group deals covering all major elements of our construction requirements. This helps the Group establish certainty of quality, supply and cost of materials and provides our suppliers with certainty of volume and revenues. In addition, our operating businesses work closely with regional suppliers to secure locally sourced materials. Local suppliers benefit from the Group providing them with consistent order volumes which help sustain their businesses and strengthen our supply chain. The Group works with over 5,500 suppliers and is proud to support over 30,000* jobs in its supply chain.

Our regional offices engage with a large number of local subcontractors in the construction of our homes. This ensures that the Group secures good availability of the skilled trades that we require locally and provides our subcontractors with continuity and consistency of work. The Group supports over 20,000* jobs on its sites.

Graphic removed

Off-site manufacturing

A key area of differentiation for the Group is through our commitment to innovation. Our off-site manufacturing capabilities assist the Group in securing the supply of some key materials which increases the Group's resilience at times when the availability of these key materials become constrained, together with providing the opportunity for some cost mitigation.

Space4

Homes England are supporting the industry to meet the demand for new housing through the increased use of modern methods of construction, including modular build and timber frame construction techniques.

The Group's Space4 business, based in Castle Bromwich near Birmingham, produces a 'fabric first' solution to the construction of new homes using off-site manufacturing techniques to produce timber frames, highly insulated wall panels and roof cassettes.

The construction process using this system delivers high levels of thermal efficiency for the new homes built and positions the Group at the forefront of the industry with the ability to accommodate changes to building regulations that are targeted to reduce carbon emissions and global warming in the future. The use of the Space4 modern method of construction eases the requirement for some traditional skills on site which can benefit productivity and build programmes. Space4 employs approximately 140 people at its factory and has recently increased its capacity to be able to supply up to c. 9,500 units per year, consisting of c. 7,750 timber frames and c. 1,750 'room in the roof' systems.

During 2018 Space4 delivered c. 6,000 timber frame house kits and insulated roof systems to the Group's housebuilding businesses. Since its launch in 2001, Space4 has supported the delivery of over 52,000 new homes to the market and has made an important contribution to the Group's volume growth over recent years.

* Estimated using an economic toolkit

STRATEGIC UPDATE - OUR STRATEGIC OBJECTIVES AT WORK

continued

Graphic removed

Securing quality and availability of materials continued

Brickworks

The Group started construction of its own Brickworks factory in 2016 to manufacture concrete bricks with the aim of securing the supply of this key material element. The facility is now fully operational with the capacity to produce c. 80m bricks annually, which approximates to two thirds of the Group's brick requirements. During the year, as we geared up production from the completion of commissioning in

the second quarter of 2018, the facility provided c. 30m bricks to the Group's operations. The factory, sited at Harworth near Doncaster, has good access to the motorway network supporting efficient logistics for delivery to Group operations. The plant and manufacturing process is highly automated and is very durable with low maintenance requirements.

Our manufacturing process has strong environmental credentials due to the significant reduction in energy usage compared to more traditional clay brick manufacturing methods.

Tileworks

The Group commenced construction of its own concrete roof tile manufacturing plant in August 2018, again with the aim of securing the supply of this key material element. The factory is located adjacent to the Group's Brickworks sharing common infrastructure. The Tileworks factory aims to supply approximately two thirds of the Group's requirements for roof tiles across the UK, and plans to commence deliveries to site in the second half of 2019.

Both Brickworks and Tileworks are further developments of the Group's off-site manufacturing capabilities, delivering consistently high quality products and securing the Group's supply of these key material components.

The impact of the UK's exit from the EU on our supply chain

The details regarding the basis on which the UK will leave the EU, together with the proposed future trading relationship, remain uncertain. As a result, we believe the key risks facing the business associated with these circumstances are: the impact of increased uncertainty surrounding the UK economy and availability and potential impact on the cost of certain materials which form part of our construction requirements.

The Group's activities are focused on the regional housing markets across mainland UK, covering England, Wales and Scotland. The Group has undertaken a review of its construction elements and its supply chain. The majority of our material supplies are sourced from within the UK. The Group has worked with its suppliers in respect of any material supplies which may be exposed to some disruption to availability.

In these cases, our suppliers are typically building up increased stock holdings and/or are changing their ports of importation to mitigate the risk of delays. We are also providing support by way of earlier and increased commitment to our suppliers where required. In addition, our off-site manufacturing capabilities, Space4, Brickworks and, going forward, Tileworks, will help us mitigate any potential supply disruption and material cost impacts.

Whilst we recognise the heightened risk profile associated with the Brexit process, the Group is in a strong position in its markets offering affordably priced homes, with a good range and choice of affordable house types available across our national outlet network. The Group has a very strong balance sheet with a high quality land bank, robust liquidity, substantial cash holdings and strong forward order book. The Group is in a strong position to react to market conditions as events unfold.

Graphic
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Optimising working capital and returns

Delivering superior levels of shareholder value over the long term and returning surplus capital to shareholders are key priorities for the Group. We achieve this by:

- Optimising our sales and the capital intensity of the Group
- Maintaining a disciplined approach to the investment of capital in land at the appropriate points in the housing cycle. The Group's land replacement and acquisition processes are key features of our approach
- Maintaining strong control over the Group's levels of work in progress across all of our developments
- Managing our supply chain and entering into robust tendering processes to help manage our costs
- Vertical integration and the manufacture of some key material elements
- Improving our build programme management through increasing use of the Group's core house type portfolio across our developments

The Group has invested in strong land, planning and design teams that have a proven track record in supporting the Group's investment in appropriate land opportunities in attractive locations, at the right point in the housing cycle. The Group's investment decisions consider actual and prospective conditions in both the land and sales markets. Our teams have a clear planning and investment strategy that places our customers' needs firmly at the centre of our land replacement activities. This ensures that planning consents are successfully achieved for sites where demand for the Group's well designed core house types is high.

A cost effective and efficient build programme is imperative in optimising working capital. The Group's detailed build programme management processes aim to support improved productivity and our site management teams, suppliers, subcontractors and site workers have all worked extremely hard to deliver further improvements in 2018. The use of our core house types assist consistency of construction and enable us to better control our development costs. Our build and direct costs are 50 basis points lower than last year at 52.1% of housing revenue (2017: 52.6% of housing revenue).

During 2018 we increased our investment in development work in progress to support higher levels of output to meet demand in the market. The cash efficiency of our land replacement activities, our strong asset turn and the expansion of our cash margins, has allowed us to continue to invest selectively in new land holdings at a rate of c. 104% of 2018 consumption. Recognising the current increased uncertainties regarding the future performance of the UK economy we are maintaining our selective approach to new land commitment.

By exercising this capital discipline, together with maximising the cash efficiency of operational activities, the Group will deliver strong cash generation whilst minimising financial risk through the cycle.

The return of capital to shareholders that is considered surplus to the reinvestment needs of the business is a key feature of the Group's strategy launched in 2012. The evaluation as to whether the business is operating at optimal scale within its regional markets, executing disciplined land investment at the appropriate time through the cycle, whilst minimising financial risk is a primary consideration when assessing the level of surplus capital that is available for return to shareholders.

Capital Return Plan

The Board has committed to maintain its existing Capital Return Plan as explained earlier in the Operational Review. Instalments of £732.3m or 235 pence per share (2017: £416.6m or 135 pence per share) were paid during the year. In total surplus capital of £7.20 per share, or £2.22 billion, has now been returned to shareholders.

HOW WE MANAGE RISK

LONG ESTABLISHED AND EFFECTIVE FRAMEWORK

UNDERSTANDING OUR RISKS

Understanding our risks is fundamental to setting and monitoring the Group's strategy. Our risk management framework is designed to ensure that the most significant risks affecting the Group's strategic objectives are identified, monitored and mitigated as effectively as possible.

RISK MANAGEMENT FRAMEWORK

Board

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



Audit Committee

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



Risk Committee

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



Group Risk Department

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



Operational Management

- Monitor business and operational performance and identify changes in key risks affecting the business
- Continual interaction with and reporting to senior management
- Ensure internal controls set by the Board are implemented and embedded within the business

Identify

Areas of key focus

Graphic removed

Mitigate

Implement control processes

Graphic removed

Monitor

Using key risk indicators

Graphic removed

Review

Performance and principal risks

Graphic removed

OUR PRINCIPAL RISKS

Key changes in the year

- The principal risks have been updated to reflect developments in the environment in which we operate and the development of our strategic objectives

New risks

- Climate change (see pages 45 and 48)
- Reputation (see pages 45 and 48)

OUR PRINCIPAL RISKS

IDENTIFYING WHAT MAY AFFECT OUR PERFORMANCE

Persimmon's principal risks are those with the potential to have a significant impact on the Group if they materialise or are managed ineffectively. The principal risks identified map to our strategic objectives.

Group Principal Risks

- 1 UK's exit from the EU
- 2 National and regional economic conditions
- 3 Government policy
- 4 Mortgage availability
- 5 Health and safety
- 6 Labour and resources: Skilled workforce, retention and succession
- 7 Labour and resources: Materials and land availability
- 8 Strategy
- 9 Climate change
- 10 Reputation
- 11 Regulatory compliance


Graphic removed

1 UK's exit from the EU

Residual Risk

High

Change in 2018

Increased 

Strategic Objective

Graphics removed

Impact

The UK's exit from the European Union may lead to increased economic uncertainty adversely impacting: consumer confidence, demand and pricing for new homes, revenues, profits and cash flows and may result in the impairment of asset values.

Potential legislative changes on customs arrangements and increases in trade tariffs could create bottlenecks at ports and impact on the availability and cost of imported materials and components within our supply chain.

Possible restrictions on freedom of movement may impact on the availability of skilled construction workers.

Mitigation


We continue to monitor the political situation, the UK economy and the housing market through the review of external information and changes in the behaviour of our customer base. We closely manage and control our work in progress and land investment and our stringent investment appraisals will continue, ensuring exposure to market disruption is reduced.


We maintain close contact with our key suppliers and will continue to employ robust tendering processes to ensure risks around material availability and cost are mitigated as far as possible. The vertical integration afforded by use of our own Brickworks, Space4 and going forwards Tileworks production mitigates this risk further.


We will remain focused on our training initiatives to improve the supply of the necessary management and construction skills the Group requires. (Also see mitigation and review of Government policy and Labour and Resources)


Strategic Objectives – Key:


 Building quality homes for our customers
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 Supporting sustainable communities
Graphic removed

 Maintaining a diverse, skilled workforce
Graphic removed

 Securing a sustainable supply of high quality land
Graphic removed

 Securing quality and availability of materials
Graphic removed

 Optimising working capital
Graphic removed

OUR PRINCIPAL RISKS

continued

2 National and regional economic conditions

Residual Risk

High

Change in 2018

No change →

Strategic Objective

Graphics removed

Impact

The housebuilding industry is sensitive to changes in the economic environment, including unemployment, interest rates and consumer confidence. Any deterioration in economic conditions may have an adverse impact on demand and pricing for new homes, which could have a material effect on our revenues, margins, profits and cash flows and result in the impairment of asset values.

Economic conditions in the land market may adversely affect the availability of a sustainable supply of land at appropriate levels of returns.

Mitigation

We continually monitor lead indicators on the future direction of the UK housing market so as to manage our exposure to any future market disruption. Our diversity of geographical market presence and our continual monitoring of our geographical spread helps us mitigate the effects of local economic fluctuations.

We control the level of build on site by closely monitoring our work in progress levels. We carry out extensive due diligence prior to our land investment decisions having regard to local market conditions and the Group's existing strategic and on-market land holdings. Significant land additions are reviewed by the Board.

3 Government policy

Residual Risk

High

Change in 2018

No change →

Strategic Objective

Graphics removed

Impact

Changes to Government policy have the potential to impact on several aspects of our strategy and operational performance. For example, changes to the planning system, changes in the tax regime, or further amendment of the Help to Buy scheme could have an adverse effect on revenues, margins and asset values. Changes to the planning system may also adversely impact the Group's ability to source suitable land to deliver appropriate levels of returns.

Mitigation

We monitor Government policy in relation to the housing market very closely. Consistency of policy formulation and application is very supportive of the housebuilding industry, encouraging continued substantial investment in land, work in progress and skills to support output growth. We actively manage our land investment decisions and levels of work in progress to mitigate exposure to external influences.

Both major political parties in the UK continue to support the Help to Buy scheme, which was recently extended to remain in place until 2023.

4

Residual Risk

High

Change in 2018

No change →

Strategic Objective

Graphics removed

Impact

Any restrictions in the availability or affordability of mortgages for customers could reduce demand for new homes and affect revenues, profits and cash flows.

Mitigation

We monitor Bank of England commentary on credit conditions including the monthly approvals for house purchases and UK Finance's monthly reports and lenders' announcements for trends in lending. We monitor customer access to mortgages through our sales processes. We ensure that our investment in land and work in progress is appropriate for our level of sales and our expectations for market conditions. The Government's Help to Buy scheme, which is anticipated to remain in place until 2023, supports customers to gain access to the housing market across the UK with competitive mortgage rates.

5 Health and safety

Residual Risk

High

Change in 2018

No change →

Strategic Objective

Graphics removed

Impact

The health and safety of our employees, subcontractors, customers and visitors to our construction sites is of paramount importance to us. Accidents on our sites could lead to reputational damage and financial penalties.

Mitigation

The Board has a strong commitment to health and safety and managing the risks in this area effectively. This is implemented by comprehensive management systems and controls, managed by our Group Health and Safety Department, which includes detailed training and inspection programmes to minimise the likelihood and impact of accidents on our sites. While all reasonable steps are taken to reduce the likelihood of an incident, the potential impacts of any such incident are considered to be high.

Strategic Objectives – Key:

Building quality homes for our customers
Graphic removed

Supporting sustainable communities
Graphic removed

Maintaining a diverse, skilled workforce
Graphic removed

Securing a sustainable supply of high quality land
Graphic removed

Securing quality and availability of materials
Graphic removed


Optimising working capital
Graphic removed

6 Labour and resources: Skilled workforce, retention and succession

Residual Risk

High

Change in 2018

Increased 

Strategic Objective

Graphics removed

Impact

Access to an appropriately skilled workforce is a key requirement for the Group. Increasing UK house building activity in recent years has increased demand for skilled labour, which has increased pressure on costs.

A skilled management team is essential in maintaining operational performance and the implementation of the Group's strategy.

Mitigation

We closely monitor our build programmes to enable us to manage our labour requirements effectively. We operate in-house apprentice and training programmes, including our Combat to Construction (C2C) programme, to provide adequate supply of skilled labour.

We are committed to playing a full and active role in external initiatives to address the skills shortage such as the Home Building Skills Partnership, a joint initiative of the Construction Industry Training Board and the Home Builders Federation.

Where appropriate, we also use the Group's Space4 modern method of construction which helps diversify resource requirements on site.


The Group focuses on retaining its key staff through a range of measures, including career management and performance incentives. At the most senior level, the Nomination Committee oversees these processes and promotes effective succession planning.

7 Labour and resources: Materials and land availability

Residual Risk

Medium

Change in 2018

No change 

Strategic Objective

Graphics removed

Impact

Materials

Recent growth in UK housebuilding has led to an increased demand for materials which is placing greater pressure on the supply chain. This may continue to cause availability constraints and increase cost pressures.

Land purchasing

Land may be purchased at too high a price, in the wrong place and at the wrong time in the housing cycle.

Mitigation

Materials

Our build programmes and our supply chain are closely monitored to allow us to manage and react to any supply chain issues. We build strong relationships with key suppliers over the long term to ensure consistency of supply and cost efficiency.

We have invested in expanding our off-site manufacturing hub at Harworth, near Doncaster, to strengthen security of supply. Our brick plant is providing a significant proportion of the bricks we use and our roof tile manufacturing facility will commence operations in 2019. This complements our existing off-site manufacturing capability at Space4, which produces timber frames, highly insulated wall panels and roof cassettes as a modern method of constructing new homes.

Land purchasing

All land purchases undergo stringent viability assessments performed by our dedicated land and planning teams and must meet specific levels of projected returns.


The Board review and determine the appropriate timing of land purchases having regard to current market conditions and sales rates.

8 Strategy

Residual Risk

Low

Change in 2018

No change 

Strategic Objective

Graphics removed

Impact

The Group's strategy has been developed by the Board as the most appropriate approach to successfully deliver the optimal sustainable value for shareholders and other stakeholders.


As political, economic and other conditions evolve, it is possible that the strategy currently being pursued may cease to be the most appropriate approach.


Mitigation


The Group's strategy is agreed by the Board at an annual strategy meeting and thereafter regularly reviewed at Board meetings. The Board engages with management and employees to ensure the strategy is communicated and understood and that all employees have a clear understanding of the potential benefits and risks of the strategy.


Strategic Objectives – Key:


 Building quality homes for our customers
Graphic removed

 Supporting sustainable communities
Graphic removed

 Maintaining a diverse, skilled workforce
Graphic removed

 Securing a sustainable supply of high quality land
Graphic removed

 Securing quality and availability of materials
Graphic removed

 Optimising working capital
Graphic removed

OUR PRINCIPAL RISKS

continued

9 Climate change

Residual Risk

Medium

Change in 2018

New 

Strategic Objective

Graphics removed

Impact

Should the effects of climate change and the UK's transition to a lower carbon economy lead to increasing national regulation this could cause additional planning delays, increase the cost and accessibility of materials required within our construction process and potentially limit their supply or require additional features which could significantly increase our costs.

Changes in weather patterns and the frequency of extreme weather events, particularly storms and flooding, may increase the likelihood of disruption to the construction process. The availability of mortgages and property insurance may reduce should financial institutions take account of impacts relating to climate change. Changes in weather patterns may increase build costs and/or development timeframes.

Mitigation

We monitor our operational efficiency and direct environmental impact in a number of ways including measuring our own CO₂ emissions and the amount of waste we generate for each home we sell.

We systematically consider the potential impacts of climate change throughout the land acquisition, planning and build processes and work closely with planning authorities and other statutory bodies to manage and mitigate risks. For example, we conduct full environmental assessments for each parcel of land we acquire for development to ensure our activities fulfil all obligations, respecting the natural environment and the communities for which we are delivering newly built homes. We are keen to adopt Sustainable Urban Drainage Systems and other technology on all our new sites, subject to local planning requirements, to address the risk of flooding.

We continually seek to strengthen our supply chain. Our off-site manufacturing facilities provide us with greater assurance of quality and supply, and use modern methods of construction and technology to assist the mitigation of climate change related risks (see pages 41 and 42).

10 Reputation

Residual Risk

Medium

Change in 2018

New 

Strategic Objective

Graphics removed

Impact

Access to housing is a significant social issue and housebuilding is a high profile industry which attracts a great deal of media and political attention. In cases where customer experiences, operational performance, management of health and safety, remuneration matters or local planning concerns fall short of our usual high standards, this may attract media attention. This may impinge on the reputation of the business which may have an adverse impact on the Group's operations.

Mitigation

The Group has a strong commitment to high quality of operations. Oversight from the Board seeks to ensure key processes are robust and any matters are addressed.

We engage actively with stakeholders to minimise the risks of reputational damage and we aim to comply with best practice in corporate governance. We actively support local communities in addressing housing needs, in creating attractive neighbourhoods and employing local people, both on our sites and in the supply chain.


Significant contributions are made to local infrastructure and good causes within the communities in which the Group operates.

11 Regulatory compliance

Residual Risk

Low

Change in 2018

No change 

Strategic Objective

Graphics removed

Impact

The housebuilding industry is subject to extensive and complex laws and regulations, particularly in areas such as land acquisition, planning and the environment. Ensuring compliance in these areas can result in delays in securing the land required for development and in construction.

Any failure to comply with regulations could result in damage to the Group's reputation and potential imposition of financial penalties.

Mitigation

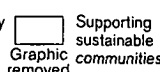
We operate comprehensive management systems to ensure regulatory and legal compliance, including a suite of policies and procedures covering key areas of legislation and regulation.

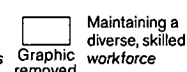
We engage extensively with planning authorities and other stakeholders to reduce the likelihood and impact of any delays or disruption. We also hold a land bank sufficient to provide security of supply for medium term land requirements.

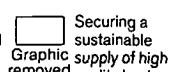
Strategic Objectives – Key:

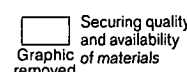
 Building quality homes for our customers
Graphic removed

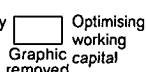
 Supporting sustainable communities
Graphic removed

 Maintaining a diverse, skilled workforce
Graphic removed

 Securing a sustainable supply of high quality land
Graphic removed

 Securing quality and availability of materials
Graphic removed

 Optimising working capital
Graphic removed



VIABILITY STATEMENT

PERSIMMON'S PROSPECTS AND VIABILITY

The long term prospects and viability of the Group are a consistent focus of the Board when determining and monitoring the Group's strategy and business model.

The identification and mitigation of the Group's principal risks also form part of the Board's assessment of long term prospects and viability*.

Assessing Persimmon's prospects

Persimmon has built a strong position in the UK's house building market over many years recognising the potential for long term growth across regional housing markets. Whilst the long term demographic fundamentals of continued positive population growth and new household formation, together with the requirement to replace and improve the quality of the country's housing stock, provide a long term supportive backdrop for the industry, the Board recognise the inherent cyclicity of the UK housing market. This cyclicity reflects the effect that some of the principal risks that challenge the Group's strategy and business model can have over time.

Persimmon possesses the key ingredients that are required to realise greater future success – talented commercially driven teams, strong local community and customer relationships, market knowledge, expertise and industry know-how, and high quality land located in places where our customers want to live and work. By building on these solid foundations the Group aims to support local communities through continued investment in its people, its land, and its development sites and in its supply chain.

The Group adopts a disciplined annual business planning regime which involves the management teams of the Group's 31 house building businesses and senior management, with input and oversight of the Board. The Group combines detailed five year business plans generated by each house building business from the "bottom up" with ten year projections constructed from the "top down" to properly inform the Group's business planning over these longer term horizons. Zero-based annual budgets are established for each business twice a year.

This planning process provides a significant contribution to the Board's assessment of the Group's prospects. The Group's current market position, its strategy and business model, and the risks that may challenge its business model are all included in the Board's assessment of the prospects of the Group.

Key factors in assessing the long term prospects of the Group:**1. The Group's current market positioning**

- Strong sales network from active developments across the UK providing geographic diversification of revenue generation
- Three distinct brands providing diversified products and pricing deliver further diversification of sales
- Imaginative and comprehensive master planning of development schemes with good amenity value to support sustainable neighbourhoods and sales activity
- Disciplined land replacement reflecting the extent and location of housing needs across the UK provides a high quality land bank supporting future operations
- Long term supplier and subcontractor relationships keeping construction costs well controlled
- A flexible cost structure is maintained to allow the effective response to changes in market conditions
- Continued investment to support higher levels of customer service
- Strong financial position with considerable cash reserves and with additional substantial working capital credit facilities maturing March 2023

2. Strategy and business model

- Clear strategy for disciplined growth and surplus capital generation launched in 2012
- Strategy recognises the importance of mitigating the impacts of the cyclicity of the UK housing market
- Substantial investment in staff training and support to sustain operations over the long term

- Approach to land investment and development activity provides the opportunity to generate high quality growth delivered by the management talent in the business
- Differentiation through vertical integration achieving security of supply of key materials and complementary modern methods of construction to support growth in output
- Simple capital structure maintained with no structural gearing

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

- Risk of the impact of disruption to the UK economy resulting from the process of the UK leaving the EU
- Market risk related to reduced consumer confidence due to regional economic uncertainties
- The risk of a reduction in mortgage funding availability and/or affordability due to reduced lender risk appetite and/or regulatory change
- Team, skills and talent related risks regarding retention and change management

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

Disciplined strategic planning processes

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

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

VIABILITY STATEMENT

continued

Senior Group management review these plans and balance the competing requirements of each of the Group's businesses and allocates capital with the aim of achieving the long term strategic objectives of the Group. The five year plans provide the context for setting the annual budgets for each business for the start of the new financial year in January, which are consolidated to provide the Group's detailed budgets. These budgets are updated after six months, for the following twelve months, which are then replaced by the new strategic planning, and budget setting, cycle. The Board review and agree both the long term plans and the shorter term budgets for the Group.

The outputs from the business planning process are used to support impairment reviews, for funding projections, for reviews of the Group's liquidity and capital structure, and identification of surplus capital available for return to shareholders via the Group's Capital Return Plan, resulting in the payment of dividends to shareholders.

Assessing Persimmon's viability

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

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

A key feature of the Group's strategy launched in early 2012 and documented in the Strategic Report is the Group's commitment to maintain capital discipline over the long term through the housing cycle. On launch, this commitment was reinforced with the announcement of the Group's Capital Return Plan ("CRP"). The CRP initially committed to return £1.9bn of surplus capital over the following ten financial years to 2021, or £6.20 per share. After seven years the Group is ahead of plan and has paid £7.20 per share, or £2.22bn back to shareholders. On 25 February 2019 the Directors announced the scheduled Capital Return Plan payments in respect of the financial year ended 31 December 2018. Further details can be found in the Operational Review on page 21.

On an annual basis the Directors review financial forecasts used for this Viability Statement as explained in the disciplined strategic planning processes outlined earlier. These forecasts incorporate assumptions about the timing of legal completions of new homes sold, average selling prices achieved, profitability, working capital requirements and cash flows, and are designed to test the Group's ability to fulfil its strategic objectives. They also include the CRP. The Directors have made the assumption that the Group's revolving credit facility is renewed during the period having again extended the maturity of the facility during the year to 31 March 2023.

The Directors have also carried out a robust assessment of the principal risks facing the Group (as set out above), 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. The Group has considered the impact of these risks (particularly those in relation to the cyclical nature of the UK housing market and the economic environment) on the viability of the business by performing a range of sensitivity analyses including severe but plausible scenarios materialising together with the likely effectiveness of mitigating actions that would be executed by the Directors.

These scenarios included the stress testing of the Group's business model assuming that a combination of events resulted in a severe recession, with a deterioration in employment levels and consumer confidence, coupled with a collapse in bank risk appetite, leading to a material reduction in credit availability. In undertaking the stress testing, the Directors assumed a rapid change in circumstances over a relatively short period of time so as to test the strength of the mitigating actions available to address the stress exerted on the Group's business model. In total it was assumed average selling prices fell by c. 20% over an initial three year period, during which time it was also assumed that sales volumes fell by over 40%, before the market was assumed to stabilise and then gradually move into a recovery phase. Due to the combined effect of these factors the Group's housing revenues were assumed to fall by c. 54% during this period. The stress tests and mitigation were guided by the experience gained from the management of the business through the Global Financial Crisis from 2007 to 2010. Cash flows were assumed to be managed consistently ensuring all appropriate investment was made in the business at the appropriate time as a priority. The Directors assumed they would make the most appropriate decisions regarding returning surplus capital to shareholders through this period to ensure the strategic objective of minimising financial risk through the cycle was achieved. The payment of the "regular" element of the CRP in early July each year was maintained. This stress testing of principal risks materialising also considered the potential for costs of exceptional charges and asset impairment to arise.

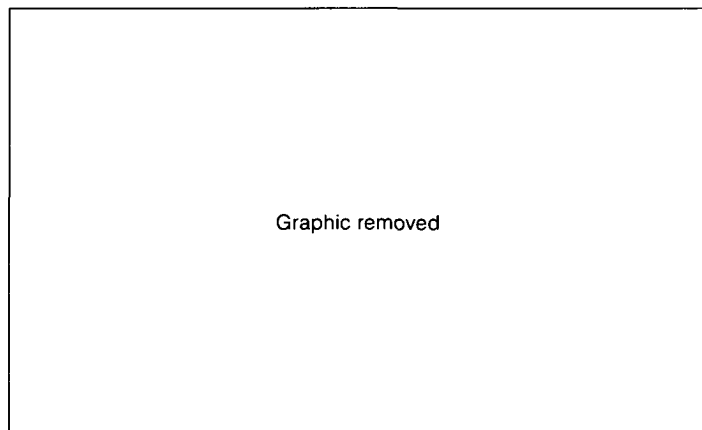
Based on this assessment, the Directors confirm that they have reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to the end of 31 December 2023.

This strategic report has been approved by the Board:

Dave Jenkinson
Interim Group
Chief Executive
25 February 2019

Mike Killoran
Group Finance Director

LISTENING TO STAKEHOLDERS AND PREPARING FOR A NEW GOVERNANCE CODE



“During the year, the Board placed particular focus on continuing to improve our performance, including the quality of service we deliver to customers, the amenities and service we create for local communities, opportunities for rewarding careers for our employees and returns to shareholders”

Roger Devlin
Chairman

It is my pleasure to introduce the 2018 corporate governance report, my first since being appointed Chairman on 1 June 2018. Since becoming Chairman I have familiarised myself with the operation and culture of the Group, I received a comprehensive induction on my appointment which included meeting with a number of senior management. I have also attended a number of offices and sites and witnessed first-hand the skill, professionalism and hard work of the Company's employees. During these visits I had the opportunity to meet some of our customers. I also met with a number of the Company's advisors and many of our largest shareholders to listen to their views on the Company.

The culture at Persimmon is one of hard work with a drive for excellence. Management lead by example and all employees work to achieve high standards in all areas of the business. The Group has an entrepreneurial spirit within a structure of centralised control and a meritocratic environment.

The operational and financial performance of the business was strong in 2018. This is in no small part due to the skill and dedication of the senior management team, our employees and wider workforce.

The vesting of awards under the Company's 2012 Long Term Incentive Plan ("2012 LTIP") attracted significant attention. Despite the Executive Directors agreeing to substantially reduce their awards and increase the holding periods attaching to certain of the shares they acquire under the 2012 LTIP, there was continuing distraction around the scale of Jeff Fairburn's remuneration resulting from the 2012 LTIP. Consequently, the Board agreed that there should be a change of leadership and Jeff Fairburn left the business on 31 December 2018. Dave Jenkinson, previously Group Managing Director, was appointed Interim Group Chief Executive.

DIRECTORS' REPORT - CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE

continued

The Nomination Committee appointed an executive search firm, Egon Zehnder, to assist with the search for a permanent Group Chief Executive. The search has now concluded with the appointment of Dave Jenkinson as Group Chief Executive from 26 February 2019. We conducted a thorough search, both within the housebuilding sector and more widely. It was clear to the Board that Dave is the best candidate for the role.

The work of the Nomination Committee during 2018 included focus on succession planning. The Committee considered succession in relation to the 2012 LTIP participants and formalisation of succession plans throughout the Group. Since the vesting of the 2012 LTIP there has been no discernible increase in senior management turnover.

The Board understands the importance of diversity, both on the Board and within our workforce. During 2018 the Group established a Gender Diversity Panel, made up of four of the Group's most senior female employees. The Panel's remit is to make recommendations to the Board on how the Group can increase the number of young women coming into the business and for improving the progression of females into senior roles.

The Audit Committee carried out its regular oversight activities in the year, reviewing the Group's financial reporting, reviewing the effectiveness of external audit and monitoring the Group Risk function. The Committee also conducted an in-depth review of the Group's Risk Register and Principal Risks and conducted a review of the Group's Viability Statement. Further information can be found in the Audit Committee report on page 65.

The work of the Remuneration Committee during the year included agreeing the details of the surrender of shares and extension of holding periods of awards that vested under the 2012 LTIP. At the 2018 AGM 48.5% of shareholders voted against the 2017 Remuneration Report and 30.9% of shareholders abstained from the vote. The Board recognised that a sizeable number of shareholders remained concerned over the level of remuneration that ultimately resulted from the vesting of 2012 awards. The Board conducted extensive engagement with major shareholders in 2018 to listen to and understand their views. The Remuneration Committee has a new Chairman and during the year both myself and Rachel Kentleton were appointed to the Committee.

During 2018 no member of the Board received a salary or fee increase and Executive Directors did not participate in annual bonus awards. Dave Jenkinson has agreed that there will be no change to his remuneration upon his appointment as Group Chief Executive, his remuneration was also unchanged on his appointment to Interim Group Chief Executive. Jeff Fairburn's settlement terms were the minimum permissible. Further details of the Remuneration Committee's work in the year and on how the current remuneration policy will be implemented in 2019 are set out in the Remuneration Report on pages 71 to 85.

The Board and its committees undertake a performance evaluation each year. The evaluation in 2018 was externally conducted by Clare Chalmers, who is a highly experienced and independent provider of board evaluations. Ms Chalmers has no other connections to the Group. The evaluation involved individual interviews with all Board members and the Company Secretary and Ms Chalmers also attended the Group's Strategy Meeting to understand how the Board members operate together. I consider that the evaluation was thorough and provided valuable insight for the Board. The Board will implement recommendations made by the external evaluation.

The Financial Reporting Council published an updated UK Corporate Governance Code in 2018, which is applicable to accounting periods starting on or after 1 January 2019. During the year the Board worked towards ensuring the Company's compliance with the new Code. In particular:

- We have recently established an Employee Engagement Panel. The Board looks forward to working with the Panel during 2019 and beyond;
- The Remuneration Committee has agreed the members of the senior management team it will have remuneration responsibility for; and
- The Board has reviewed its agreed values and culture for the Group and how it will assess and monitor the alignment of behaviour throughout the business with the agreed culture.

Maintaining good relations with our stakeholders is important to the Board and to the success of the Company. With that in mind, and in light of the new 2018 UK Corporate Governance Code, we have set out how we engage with our stakeholders on pages 54 and 55.

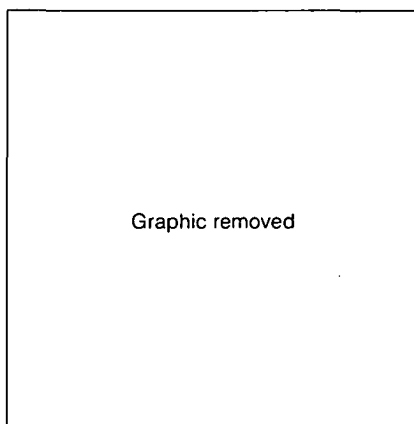
The UK Corporate Governance Code 2016 was applicable to the financial year ending 31 December 2018. I am pleased to report that the Company has complied with the UK Corporate Governance Code 2016.

Roger Devlin
Chairman
25 February 2019

DIRECTORS' REPORT - OVERVIEW

KEY SECTIONS WITHIN THE GOVERNANCE SECTION

LEADERSHIP & EFFECTIVENESS



Our Board, structure and activities

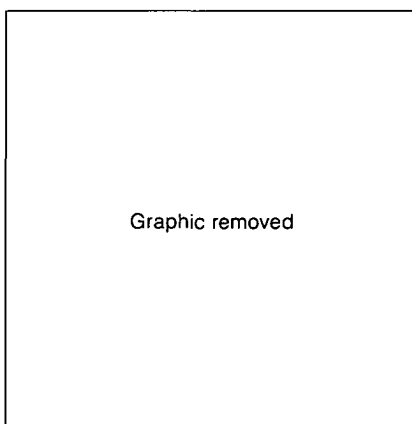
There are seven members of the Board. Our Chairman, two Executive Directors and four Independent Non-Executive Directors.

Roger Devlin was appointed Chairman on 1 June 2018 and Dave Jenkinson as Group Chief Executive from 26 February 2019.

During the year the Board placed particular focus on:

- continuing to improve our performance, including the quality of service we deliver to customers;
- the amenities and service we create for local communities; and
- opportunities for rewarding careers for our employees and returns to shareholders.

ACCOUNTABILITY

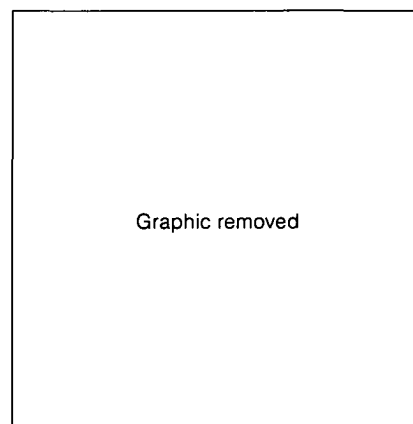


Report from the Audit Committee

During 2018 the Audit Committee:

- reviewed the annual report and the half year report and related regulatory announcements;
- assessed the significant financial issues facing the Group and the key risks of misstatement of the Group's financial statements;
- reviewed the Group's Strategic Risk Register, Principal Risks and Viability Statement;
- monitored the external audit and reviewed its effectiveness; and
- reviewed the work of the Group Risk function.

REMUNERATION



Oversight of executive remuneration

During 2018 the Remuneration Committee:

- made preparations for the requirements of the revised UK Corporate Governance Code;
- had extensive engagement with shareholders regarding the vesting of awards under the Company's 2012 Long Term Incentive Plan;
- considered Jeff Fairburn's settlement terms on his departure from the Group; and
- considered the structure of Executive remuneration.

Read about the structure, role and activities of the Board
See pages 56 to 62

Read our Audit Committee report
See pages 63 to 67

Read our remuneration report
See pages 71 to 85

DIRECTORS' REPORT - OUR STAKEHOLDERS

HOW WE ENGAGE WITH OUR STAKEHOLDERS

Our strategy strives to maintain strong relationships with all our key stakeholders ensuring a long term sustainable business model that provides good quality homes for our customers.

CUSTOMERS

How we listen

- Through our teams of Sales Advisors and on site management teams who are all available throughout the home buying process
- Regular contact with all of our customers through new home demonstrations, courtesy calls and a one month home inspection
- Following purchase, through our dedicated customer care teams
- Participation in a National New Homes survey run by the Home Builders Federation

What they tell us

- Regular communication throughout the home buying process, particularly regarding the timing of the crucial "move in" date is important
- Customers would like our customer care teams to be available at times more convenient to them
- 79% of our customers would recommend Persimmon to a friend
- Customers consider reliable fast broadband connection to be important

What we are doing

- Communicating with each customer at key stages, including finalising their moving in date
- Investing in technology that will improve communication between our regional offices, our customer care departments and our customers
- Continuing to increase resources devoted to customer care, including providing increased training to our operatives
- Improving the flexibility and convenience of the customer care service provided to our customers
- Included customer care performance in bonus and incentive criteria for our senior operational management
- Established FibreNest, the Group's full fibre to the home broadband service

Link to strategic objectives

- ☐ Building quality homes for our customers

Graphic removed

EMPLOYEES

How we listen

- Through local management teams and meetings
- Regular, informal dinners with Board members and local management teams
- Regional Board meetings and site visits
- Feedback from our HQ employee newsletter
- Feedback from employees to the Gender Diversity Panel
- Going forward, through our Employee Engagement Panel feedback
- Exit interviews

What they tell us

- Employees would like more training to further their careers
- Career development and opportunity is important to all our employees
- Attract more women to the industry and support their career development
- Introduce a flexible working policy to support employees to balance their wider responsibilities

What we are doing

- Investing in our Training Department
- Further developing our site management training
- Improving co-ordination of our training strategy
- Training and mentoring of employees to support the development of their careers
- Formally identifying our talented people to help them develop their career path
- Introduced a more formal flexible working policy for office based employees
- Introducing a programme of school engagement to encourage young females into the business
- Established an Employee Engagement Panel to secure further engagement with employees

Link to strategic objectives

- ☐ Maintaining a diverse, skilled workforce.

Graphic removed

COMMUNITIES

How we listen

- By consultation throughout the planning and development process to more accurately identify the needs of the local community
- Feedback from local people through our pre-launch marketing campaigns
- Our regional offices employ local people who are aware of community needs
- Newly established Safety Concerns line
- Collaboration with the many local charities and support groups that the Persimmon Charitable Foundation supports through the Community Champions and Building Futures programmes

What they tell us

- Provide attractive developments with high amenity value
- Invest in local infrastructure to improve community environments
- Be positive and responsive to the views of local people
- Support local charities and community groups in the areas in which we build

What we are doing

- Invested in highly skilled land, planning and design teams who have the knowledge and experience to deliver sites which provide the range, choice and availability of homes that meet local communities' needs
- Continuing our Community Champions campaign, launched Building Futures and working with Team GB

Link to strategic objectives

- ☐ Supporting sustainable communities

Graphic removed

SUPPLIERS

How we listen

- Tendering process
- Centralised procurement department working closely with major suppliers
- Local operating businesses' buying and technical teams engaging with local suppliers and subcontractors

What they tell us

- Collaboration for mutual benefit – continuity and visibility of future work flow is very important
- Work together to improve product sustainability
- Increased cost pressure from high demand and weak Sterling
- Appropriate arrangements are being made to address the risks to supply associated with the UK's exit from the EU

What we are doing

- Ongoing meetings with suppliers to discuss improved product and packaging design
- Maintain dialogue regarding the prevention of Modern Slavery
- Engage with suppliers to provide them with certainty of volume and revenues
- Work with suppliers to mitigate cost increases
- Work with suppliers to ensure all goods and services delivered are verified promptly and all terms and conditions are fulfilled

Link to strategic objectives

- ☐ Securing quality and availability of materials

Graphic removed

GOVERNMENT, REGULATORS AND INDUSTRY BODIES

How we listen

- Participate in industry meetings with Ministers
- Meetings with local authority planning departments
- Representation on Home Builders Federation national committees
- Member of Homes for Scotland
- Regular dialogue with Health and Safety Executive
- Actively engaging with the Home Building Skills Partnership

What they tell us

- Government policy is targeting an increase in the rate of construction of new homes
- Government policy is supporting an increase in the overall output from the industry
- National planning policy requires local authorities to address the housing needs of their local communities through a plan led system of land release and development and supports the delivery of local infrastructure and amenities for new developments which address the needs of local communities
- A safe and healthy environment is a top priority for all workers, visitors and customers on all development sites

What we are doing

- Working hard to increase output in areas of high demand
- Engaging with government departments directly, and working with the Home Builders Federation, to explain industry opportunities and challenges
- Maintaining a skilled health and safety department

Link to strategic objectives

- ☐ Building quality homes for our customers;
- ☐ Maintaining a diverse, skilled workforce;
- ☐ Providing a sustainable supply of high quality land; and
- ☐ Securing quality and availability of materials

Graphics removed

SHAREHOLDERS

How we listen

- Our Annual General Meeting
- Comprehensive individual institutional shareholder meetings and specific consultations
- Shareholder roadshows
- Feedback from the Company's brokers
- Feedback from the market's analyst community

What they tell us

- Preference for a diverse Board composition
- Remuneration must be appropriate, performance related and linked to strategy
- Preference for a sustainable dividend through the cycle

What we are doing

- Careful analysis of Board skills before each appointment
- Continued regular communication with shareholders
- The Remuneration Committee has carefully considered future remuneration
- Capital Return Plan payments modelled to be sustainable through the housing cycle with additional returns as appropriate

Link to strategic objectives

- ☐ Optimising working capital and returns

Graphic removed

DIRECTORS' REPORT - BOARD LEADERSHIP

BOARD OF DIRECTORS

The Board consists of a Chairman, Roger Devlin; two Executive Directors, Dave Jenkinson and Mike Killoran; and four Independent Non-Executive Directors, Nigel Mills, who is the Senior Independent Director, Marion Sears, Rachel Kentleton and Simon Litherland.

Graphic removed

Roger Devlin

Chairman (age 61)

Date of appointment 1 June 2018

Committee membership

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

Trustee of the Persimmon Charitable Foundation.

Experience

Roger Devlin was independent on appointment and has extensive business, leadership and governance experience, having held executive and non-executive roles in sectors such as corporate finance, gaming, leisure, pubs & brewing, sport and transport.

Roger is an experienced Chairman and is currently the Chairman of William Hill PLC. Roger's previous appointments include Chairman of Marston's PLC and Senior Independent Director at the Football Association.

Skills and contribution

Roger's wealth of experience gives him a strong understanding of corporate governance, banking and finance, customer propositions and leadership.

Roger's expertise and personal qualities enable him to effectively lead the Board and contribute towards the development and execution of the Group's strategy by building strong relationships, facilitating open and productive debate and providing constructive challenge where necessary.

Graphic removed

Rachel Kentleton

Independent Non-Executive Director (age 50)

Date of appointment 24 June 2015

Committee membership

Chairman of the Audit Committee and member of the Risk, Nomination and Remuneration Committees.

Experience

Rachel Kentleton, a qualified accountant, is the Finance Director at PayPoint plc. Rachel has a breadth of business experience, having previously been Group Director, Strategy & Implementation at easyJet and having held finance roles at Unilever, NatWest, Diageo and SABMiller.

Skills and contribution

Having worked in various customer facing businesses Rachel has significant knowledge of strategy, organisational change, operations and technology. This, together with her extensive investor relations and financial experience, adds to the balance of skills and experience of the Board and greatly benefits the implementation of the Group's strategy and the development of our business.

Graphic removed

Dave Jenkinson

Group Chief Executive (age 51)

Date of appointment 13 December 2013

Committee membership

Member of the Risk Committee.

Experience

Dave Jenkinson joined the Group in 1997 and became the Managing Director of the North East operating business in 2005. He was promoted to Regional Managing Director in 2007, North Division Chief Executive in 2013 and Group Managing Director on 7 January 2017. He was appointed Group Chief Executive from 26 February 2019.

Skills and contribution

Dave has extensive housebuilding experience and, as a qualified town planner, has particular strengths in land buying and development. Having spent over 20 years at Persimmon Dave is an expert in the operations of the Group and has an excellent understanding of the Group's customers and our wider stakeholders. Dave's leadership and personal qualities, combined with his industry expertise, enable him to drive the development and execution of the Group's strategy.

Graphic removed

Simon Litherland

Independent Non-Executive Director (age 54)

Date of appointment 3 April 2017

Committee membership

Member of the Audit, Nomination and Remuneration Committees.

Experience

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

Skills and contribution

Simon is an accomplished Executive with proven finance, leadership and business skills in a consumer facing industry. His strong understanding of branding and customer propositions adds to the skillset of the Board and enables him to make a valuable contribution to the development and implementation of the Group's strategy.

Graphic removed

Graphic removed

Graphic removed

Mike Killoran ACA
Group Finance Director (age 57)

Date of appointment 4 January 1999

Committee membership
 Member of the Risk Committee.

Trustee of the Persimmon Charitable Foundation.

Experience

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

Skills and contribution

Mike has extensive financial and operational skills and over 20 years' experience and knowledge of both the housebuilding industry and the Group. Mike makes a valuable contribution towards the long term success of the Group; his expert knowledge of our cyclical industry is important to the Group's risk management and key to the development and execution of our strategy.

Nigel Mills
Senior Independent Director (age 63)

Date of appointment 4 April 2016

Committee membership
 Member of the Nomination and Remuneration Committees.

Experience

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

Skills and contribution

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

Marion Sears
Independent Non-Executive Director (age 56)

Date of appointment 8 January 2013

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

Trustee of the Persimmon Charitable Foundation.

Experience

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

Skills and contribution

Marion has extensive retail industry knowledge and customer understanding together with an all-round view of the consumer markets. She has a strong understanding of shareholder views, corporate governance and corporate responsibility. Her financial background and current involvement in both the consumer and investment industries enable her to provide sound advice and judgement on the development and implementation of the Group's strategy.

Graph removed

Graph removed

Board meeting attendance 2018

Member	Current position	Meetings attended	Percentage of meetings attended
Roger Devlin*	Chairman	5/5	100%
Dave Jenkinson	Group Chief Executive	7/7	100%
Mike Killoran	Group Finance Director	7/7	100%
Nigel Mills	Senior Independent Director	7/7	100%
Marion Sears	Independent Non-Executive Director	7/7	100%
Rachel Kentleton	Independent Non-Executive Director	7/7	100%
Simon Litherland	Independent Non-Executive Director	7/7	100%
Nicholas Wrigley**	Former Chairman	0/1	0%
Jeff Fairburn***	Former Group Chief Executive	6/7	85%

* Roger Devlin was appointed on 1 June 2018.

** Nicholas Wrigley resigned from the Board on 26 February 2018.

*** Jeff Fairburn left the Group on 31 December 2018.

DIRECTORS' REPORT - CORPORATE GOVERNANCE STATEMENT

BOARD LEADERSHIP

The Board consists of our Chairman, Roger Devlin, two Executive Directors and four Independent Non-Executive Directors.

COMPOSITION, SUCCESSION AND EVALUATION

Composition

The biographies of the current Directors can be found on pages 56 and 57.

Nicholas Wrigley and Jeff Fairburn were also Directors of the Company during the year and resigned on 26 February 2018 and 31 December 2018 respectively.

The Board is satisfied that it has the appropriate balance of skills, experience, independence and knowledge of the Company and considers that its size is appropriate for the size and complexity of the Group. The Nomination Committee continues to review the composition of the Board and the skills and diversity of the Directors and will make further appointments where it considers them necessary.

The Board understands and has regard to the benefits of diversity, including gender diversity. As at 31 December 2018 the Board was 25% female, following Jeff Fairburn's departure, the Board is now 28% female. At 31 December 2018 we had 35 female colleagues in our 189 strong senior management team.

The Group has a Diversity Policy, the objective of which is to ensure that appointments are made on the basis of merit and sustainability taking into account diversity, including gender. There are no specific targets for levels of diversity for the Board or for the Group as a whole, however the remit of the new Gender Diversity Panel is to consider how the Group can attract more women into the business and increase female progression into senior roles.

When considering the appointment of new Directors, the Nomination Committee determines the skills and experience which would be of benefit to the composition of the Board and then evaluates candidates' skills, knowledge and experience to determine which candidate would be

most suitable. All nominations by the Committee are made on the basis of merit and overall suitability, taking into consideration the diversity of the Board.

The role of the Board

The Board leads and directs the Group. It sets the strategy, sets the Group's values and monitors and assesses culture, with the aim of achieving the long term sustainability of the business, for the benefit of shareholders, customers, employees, suppliers and the communities in which we build.

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

During 2018 the Board held seven meetings. Board meetings are often preceded by informal dinners, to which senior managers are invited to give presentations to the Board. All Directors attended the Board and Committee meetings during the year, with the exception of Nicholas Wrigley, who did not attend the Board meeting held on 21 February 2018 nor any Committee meetings held that day and Jeff Fairburn, who did not attend the Board meeting held to consider the Group Chief Executive's position.

The Board considers all the Non-Executive Directors to be independent. Nigel Mills is a Senior Advisor at Citigroup Global Markets. Citigroup, whilst one of Persimmon's two brokers, is not a financial advisor to the Company and has received no remuneration from the Company for more than ten years, and received share dealing commission only in the two years before that. Nigel had not worked on the Company's business over the three years prior to his appointment in 2016, itself preceded by Citigroup's decision to put in place strict procedures which further ensure his independence. Accordingly, the Board reiterates its belief in Nigel's independence, which has been clearly demonstrated in debate in both Board, Nomination and Remuneration Committee meetings since his appointment.

All Directors are required to allocate sufficient time to the Company to discharge their duties. During the appointment process the Nomination Committee provided Roger Devlin with an assessment of the time commitment required of the role of Chairman. Roger Devlin retired from his roles at Marston's PLC and the Football Association prior to his appointment at the Company. In addition to his role at Persimmon Roger is Chairman of William Hill PLC.

Board appointments and changes

In recognition that the 2012 LTIP could have included a cap on the value of awards vesting to participants, Nicholas Wrigley resigned as Chairman on 26 February 2018. Nigel Mills became Acting Chairman and interim Chairman of the Nomination Committee from 26 February 2018 and resumed his role as Senior Independent Director on Roger Devlin's appointment as Chairman on 1 June 2018.

Following his appointment Roger Devlin received a thorough and formal induction. This consisted of one-to-one meetings with the Executive and Non-Executive Directors, the Company Secretary and senior management, covering areas such as IT, HR, Health & Safety and Tax & Treasury and within our housebuilding operations. The induction also included visits to Group sites and a regional office. Additionally, Roger met with a number of the Company's major shareholders and advisors.

We announced in November 2018 that Jeff Fairburn, Group Chief Executive, would leave the Group on 31 December 2018. Jeff was a successful leader of the business since his appointment in 2013, but the Board believed that the distraction around his remuneration continued to have a negative impact on the reputation of the business and consequently on Jeff's ability to continue in his role. Jeff made a significant contribution to the business during his 29 years of service and the Board expresses its thanks to Jeff for his dedicated service during those years. Full details of Jeff's settlement terms are set out in the Remuneration Report.

Dave Jenkinson is appointed Group Chief Executive from 26 February 2019. He was Interim Chief Executive following Jeff Fairburn's departure, having previously been Group Managing Director. Dave has extensive housebuilding experience having been with the Group for 22 years. He has been instrumental in the development and implementation of many of the successful operational initiatives which have underpinned the Group's robust performance in recent years.

Board Evaluation

During 2018 the Board conducted an external evaluation of its own performance and that of its Committees and individual Directors. The evaluation was formal, rigorous and externally facilitated by Clare Chalmers, who is a highly experienced and independent provider of board evaluations and has no other connections to the Group. The external evaluation process was agreed with the Chairman.

Ms Chalmers' review involved meetings with the Chairman, individual structured interviews with all Board Directors and the Company Secretary, a review of board packs and minutes of meetings, observation of the Board's annual strategy meeting and presentation of the evaluation report to the Board.

Ms Chalmers' evaluation report was informative and provided independent appraisal of the Board and its Committees. Following the evaluation, Ms Chalmers made recommendations which the Board intends to implement during 2019, including:

1. Improvements to the presentation of Board and Committee papers;
2. Conduct additional work on formalising the Company's succession planning processes; and
3. Increasing the number of presentations to the Board by external speakers.

Re-election

Each of the Directors, with the exception of Roger Devlin, will stand for re-election by shareholders at the forthcoming AGM, to be held on 1 May 2019. Roger Devlin will be standing for election as this will be his first AGM since his appointment.

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

DIVISION OF RESPONSIBILITIES

There is a clear, written division of responsibilities between the Chairman and the Group Chief Executive, which is approved by the Board. No one individual has unfettered powers of decision.

The Chairman

On appointment Roger Devlin, Chairman, satisfied the criteria for independence specified in the UK Corporate Governance Code 2016. The Chairman supported by the Company Secretary, sets the agenda for board meetings. The Chairman ensures that board meetings are a forum for open and constructive debate and that the views of all Directors are valued and considered.

Non-Executive Directors

As set out in the Composition section of this report and on pages 56 and 57, the Non-Executive Directors have expertise which complements that of the Executive Directors. Between them, the Non-Executives have many years of experience in fields such as marketing, various consumer facing industries, banking and finance. The collective experience of the Non-Executives allows them to make valuable contributions to Board discussions, providing insight and constructive challenge to the Executive Directors.

Only Non-Executive Directors are members of the Board's Audit, Remuneration and Nomination Committees. The Chairman holds meetings with the Non-Executive Directors without the Executive Directors being present.

CORPORATE CULTURE

The Group's culture is one of hard work with a drive for excellence. Management lead by example and all employees work to achieve high standards in all areas of the business. The Group has an entrepreneurial spirit within a structure of centralised control and a meritocratic environment.

ENGAGEMENT WITH THE WORKFORCE

There are a number of ways in which the Board engages with its employees. Members of the Board regularly visit the Group's local businesses to see operations first hand. Informal dinners are held with Board members and local senior staff, which are an opportunity for the Directors to hear feedback and also to further explain to the local management team matters of particular focus and importance for the Group.

We publish an employee newsletter, "HQ", regularly throughout the year. The newsletter invites employees to give their feedback.

During 2018 the Board decided to establish an Employee Engagement Panel. The Employee Engagement Panel was formed in early 2019 and consists of voluntary members who can give a broad representation of the Group's employees. A member of the Board will attend Panel meetings and feedback from the Panel will be regularly reported both to the Group's Corporate Responsibility Committee and to the Board. The Chair of the Remuneration Committee will attend meetings of the Panel to engage with members on how executive remuneration aligns with wider Group pay policy.

DIRECTORS' REPORT - CORPORATE GOVERNANCE STATEMENT

continued

NOMINATION COMMITTEE

The members of the Nomination Committee are: Roger Devlin (Committee Chairman), Nigel Mills, Marion Sears, Rachel Kentleton and Simon Litherland.

Nomination Committee attendance 2018

Member	Meetings attended	Percentage of meetings attended
Roger Devlin*	2/2	100%
Nigel Mills	3/3	100%
Marion Sears	3/3	100%
Rachel Kentleton	3/3	100%
Simon Litherland	3/3	100%
Nicholas Wrigley**	0/1	0%

* Roger Devlin was appointed to the Committee on 27 June 2018.

** Nicholas Wrigley resigned from the Board on 26 February 2018.

Under the UK Corporate Governance Code 2016 the purpose of the Committee is to lead the process for Board appointments.

The Committee held three meetings during 2018. All members attended the Committee meetings, except for Nicholas Wrigley, who did not attend the meeting held on 21 February 2018.

Roger Devlin and Rachel Kentleton were appointed to the Nomination Committee on 27 June 2018 and Roger was appointed Chairman of the Committee on the same date. Nicholas Wrigley left the Committee when he resigned from the Board on 26 February 2018. Nigel Mills acted as interim Chairman of the Nomination Committee between 26 February 2018 and 27 June 2018.

Work of the Committee during 2018 – Succession and Diversity

Led by Nigel Mills, Senior Independent Director and Acting Chairman for part of the year, the Nomination Committee commenced a search to identify suitable candidates to replace Nicholas Wrigley as Chairman. The Committee considered the criteria necessary for the successful candidate. They appointed MWM Consulting, an executive search firm to assist with the search. MWM Consulting has no other connections with the Group. A number of candidates were considered and interviewed by the Nomination Committee.

Following the search, the Nomination Committee recommended to the Board that Roger Devlin be appointed Chairman.

Following the announcement that Jeff Fairburn would be leaving the Group, the Nomination Committee commenced a formal process to select a permanent successor. The Committee appointed Egon Zehnder, an executive search firm, to assist with the search for a new Group Chief Executive. The search has now concluded with the appointment of Dave Jenkinson as Group Chief Executive from 26 February 2019. We conducted a thorough search, both within the housebuilding sector and more widely. It was clear to the Board that Dave Jenkinson is the best candidate for the role. Egon Zehnder has no other connection with the Group.

During 2018 the Nomination Committee considered succession planning both in relation to 2012 LTIP participants whose awards vested on 31 December 2017 and 2 July 2018 and in relation to senior succession planning generally. The work undertaken in respect of 2012 LTIP participants continued work started in this regard in 2017 and was undertaken to plan for any participants who chose to leave the Group following the vesting of their 2012 LTIP awards. The Committee noted the Executive Directors' opinion that a small number of the senior management team below Board level may decide to leave the Group once their options had vested in full in July 2018. Since the vesting of the 2012 LTIP there has been no discernible increase in senior management turnover.

During the year the Board and the Nomination Committee worked with management to formalise and improve the succession planning process for senior management below board and the Group's operational businesses.

The Nomination Committee understands the importance of diversity both on the Board and in the Group's workforce. During 2018 the Group published its first Gender Pay Gap report, which can be found on our corporate website at www.persimmonhomes.com/corporate. We will shortly publish our 2018 report.

The median pay gap for the Persimmon Group was 8.0% in 2018 (2017: 7.9%), compared to the Office for National Statistics figure for 2017 of 18.4%. We have 25% females and 75% males working for the Group. Female employees make up 18% of our senior management team (2017: 13%) and we believe that the reason for the pay gap is due to the lower number of senior female managers.

During 2018 the Group established a Gender Diversity Panel consisting of the most senior female employees across the Group. Their remit is to consider how the Group can attract more women into the business and what, in the Panel's view, can be done to increase female progression into senior roles. We recognise that increasing diversity will take a long term commitment. The Panel meets on a regular basis and as a direct result of their recommendations the Group has adopted a more formal flexible working policy for office-based employees and a programme of school engagement, led by female managers from our operating businesses, will be rolled-out to support the diversity of our apprenticeships and training programmes.

AUDIT, RISK AND INTERNAL CONTROL

Audit Committee

The members of the Audit Committee are: Rachel Kentleton (Committee Chairman), Marion Sears and Simon Litherland. All members of the Committee are considered by the Board to be independent.

Audit Committee meetings attendance 2018

Member	Meetings attended	Percentage of meetings attended
Rachel Kentleton	4/4	100%
Marion Sears	4/4	100%
Simon Litherland	4/4	100%

Under the UK Corporate Governance Code 2016 the purpose of the Committee is to safeguard the interests of shareholders by carrying out duties such as: monitoring the integrity of the Company's financial statements, reviewing the Company's internal financial controls and the Company's internal control and risk management system, reviewing the effectiveness of the Company's risk function and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process.

The Committee held four meetings during 2018. All members attended the Committee meetings.

Further information on the role and activities of the Audit Committee can be found in the Audit Committee report on pages 63 to 67.

REMUNERATION

Remuneration Committee

The members of the Remuneration Committee are: Marion Sears (Committee Chairman), Roger Devlin, Nigel Mills, Rachel Kentleton and Simon Litherland. Nicholas Wrigley left the Committee when he resigned from the Board on 26 February 2018. Roger Devlin and Rachel Kentleton were appointed to the Committee on 27 June 2018.

Marion Sears, the Committee Chairman, has served on the Committee since 2013 and therefore has requisite experience to chair a remuneration committee.

Remuneration Committee meetings attendance 2018

Member	Meetings attended	Percentage of meetings attended
Marion Sears	4/4	100%
Roger Devlin*	2/2	100%
Nigel Mills	4/4	100%
Rachel Kentleton*	2/2	100%
Simon Litherland	4/4	100%
Nicholas Wrigley**	0/1	0%

* Roger Devlin and Rachel Kentleton were appointed to the Committee on 27 June 2018.

** Nicholas Wrigley resigned from the Board on 26 February 2018.

Under the UK Corporate Governance Code 2016 the purpose of the Committee is to develop policy on executive remuneration in consultation with shareholders and to fix the remuneration packages of the Chairman and Executive Directors. Under the new 2018 Code the Committee will also have responsibility for senior management below board level and the Company Secretary. During the year the Committee agreed that this would be the Group's Regional Chairmen and the Company Secretary.

The Committee held four meetings during 2018. All members attended the Committee meetings, except for Nicholas Wrigley, who did not attend the Committee meeting on 21 February 2018.

The work of the Committee during the year is set out in the Remuneration Report on pages 71 to 85.

Terms of reference

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

2018 AGM

At the 2018 AGM, the resolution to approve the 2017 Remuneration Report, which included the vesting of 40% of the Executive Directors' awards under the 2012 LTIP was passed but 48.5% of shareholders voted against the resolution and 30.9% of shareholders abstained. Although the Executive Directors made significant reductions and adjustments to their 2012 LTIP awards – a scheme that was approved by shareholders in 2012 – the Board recognised that a sizeable number of shareholders remained concerned over the level of remuneration from the vesting of these awards. Due to the extensive engagement conducted prior to the 2018 AGM, the Board fully understood the reasons for the votes against the resolution and for the abstentions.

Following the 2018 AGM the Chairman, Roger Devlin, and Marion Sears, Chairman of the Remuneration Committee, have continued to engage with major shareholders on future remuneration for the Executive Directors. The Remuneration Committee has worked hard during 2018 to ensure that future remuneration at the Company demonstrates compliance with best practice and incorporates appropriate discretion for the Remuneration Committee. Executive Directors' basic salaries and Non-Executive Directors' fees were not increased in 2018. Executive Directors did not participate in annual bonus arrangements for 2018 and did not receive an award under the Group's 2017 Performance Share Plan. The Remuneration Committee endorsed the Executive Directors' request that their 2018 bonus still be measured and be distributed to staff (excluding those participants in the 2012 LTIP and 2017 Performance Share Plan).

RELATIONS WITH SHAREHOLDERS

The Board is committed to establishing and maintaining good relations with the Company's shareholders. The Board values shareholder engagement and members of the Board meet regularly with major shareholders. All members of the Board attend the Company's Annual General Meeting and are available to answer questions from all shareholders. There was increased engagement with shareholders in 2018. Firstly, in connection with the vesting of awards under the Group's 2012 LTIP and secondly by Roger Devlin on his appointment as Chairman, to enable him to gain a good understanding of shareholders' views of the Group.

DIRECTORS' REPORT - CORPORATE GOVERNANCE STATEMENT

continued

The Group Chief Executive and Group Finance Director have responsibility for maintaining appropriate communications with institutional investors and analysts, advised by the Group's broker Bank of America Merrill Lynch and the Group's financial PR consultants, Citigate Dewe Rogerson. The Group Chief Executive and Group Finance Director regularly hold calls and meetings with major shareholders and analysts after the announcement of our final and half yearly results and additionally as appropriate. The calls held after the announcement of our final and half year results are recorded and are available on the Company's corporate website at www.persimmonhomes.com/corporate.

As Chairman of the Remuneration Committee, Marion Sears has responsibility for consulting with shareholders and institutions on matters relating to remuneration policy.

On an ongoing basis, the Board is provided with reports produced by equity analysts and the results of consultations are reported to the Board as a whole. In addition, the Directors report to the Board on feedback received following their presentations to or meetings with shareholders and analysts. The Company issues regular trading updates to the London Stock Exchange, as well as publishing annual and half yearly financial results. The Company provides shareholders with access to detailed presentations of results at its analyst presentations. The results presentation document is also available on the Company's corporate website.

On 8 November 2018 the Company held a Capital Markets Day and dinner for analysts and major shareholders which included a visit to our Brickworks factory, which became operational in 2018, at Harworth near Doncaster. This gave a detailed insight into the operation of the Company and the presentation slides from the Capital Markets Day can be viewed on the Company's website at www.persimmonhomes.com/corporate.

New UK Corporate Governance Code

During the year the Financial Reporting Council published its new corporate governance code, the UK Corporate Governance Code 2018 (the "2018 Code"), which is applicable to accounting periods beginning on or after 1 January 2019. The 2018 Code contains a number of new provisions which primarily focus on corporate culture, stakeholder engagement (with specific provisions on workforce engagement), remuneration and succession.

The Board conducted an exercise during 2018 to prepare for the implementation of the 2018 Code including:

- reviewing the Group's culture, including how it will be monitored and assessed;
- the establishment of an Employee Engagement Panel in 2019; and
- the establishment of a Gender Diversity Panel to consider how the Group can attract more females into senior roles.

Engagement with Stakeholders

The Board has set out the Group's major stakeholders and how it engages with those stakeholders on pages 54 and 55. Details of how it engages with shareholders and employees is set out above.

The UK Corporate Governance Code 2016

This Corporate Governance Statement, together with the Audit Committee Report on pages 63 to 67 and the Directors' Remuneration Report on pages 71 to 85, provides a description of how the main principles of the UK Corporate Governance Code 2016 have been applied within the Company during 2018.

The Company complied with the UK Corporate Governance Code 2016 throughout 2018. The Board continues to review its governance procedures to maintain proper control and accountability. As described above, the Board has undertaken detailed work to prepare for the introduction of UK Corporate Governance Code 2018. The Governance Code is available from the Financial Reporting Council, at www.frc.org.uk

Significant shareholdings

The disclosures required under Listing Rule 9.8 can be found in the table below, the Statement of Directors' share interests on page 80, details of the surrender of LTIP awards on page 73 and details of the authority for the Company to purchase its own shares on page 70.

As at 31 December 2018 and as at 25 February 2019, the Company had been notified under the Financial Conduct Authority's Disclosure Guidance and Transparency Rule 5 of the following interests in the voting rights of the Company:

Name	As at 31 December 2018		As at 25 February 2019		Nature of holding
	Number of voting rights ¹	% of total voting rights	Number of voting rights ¹	% of total voting rights	
BlackRock Inc	16,718,253	5.43	16,718,253	5.43	Indirect
SEB Investment Management AB	9,508,263	3.01			Below 3%

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

DIRECTORS' REPORT - CHAIRMAN'S INTRODUCTION TO THE AUDIT COMMITTEE REPORT

Graphic removed

"One of the key activities of the Audit Committee during 2018 was the assessment of significant financial judgements. The significant financial judgements have not changed from the previous year and were revenue recognition; the carrying value of the Group's land and work in progress including the accuracy of cost recoveries and the carrying value of the Group's shared equity loan receivables."

Rachel Kentleton
Chairman of the Audit Committee

I am pleased to present the Group's Audit Committee Report for the year ended 31 December 2018 which sets out the activities and focus of the Committee for the period.

One of the key activities of the Audit Committee during 2018 was the assessment of significant financial judgements. The significant financial judgements have not changed from the previous year and were revenue recognition; the carrying value of the Group's land and work in progress including the accuracy of cost recoveries and the carrying value of the Group's shared equity loan receivables.

A major role of the Audit Committee is to monitor the effective governance of the Group's financial reporting. The Committee has reviewed both the Half Year Report and the Annual Report for the financial year ended 31 December 2018 and the related regulatory disclosures. At the request of the Board, the Audit Committee considered and is satisfied that the 2018 Annual Report taken as a whole is fair, balanced and understandable and provides the necessary information to assess the Group's position, performance, business model and strategy.

We monitor the performance and the objectivity of the external auditor. Ernst & Young prepare a detailed audit plan prior to commencing their audit, setting out their consideration of the main audit risks and the appropriate materiality level. The Committee reviewed the plan with the auditor and agreed the scope of their work. The Committee also reviewed the independence of the auditor and agreed the fee for the audit work and the fee for the review of the Half Year Report. The Committee continues to consider that the auditor and the audit engagement partner remains independent.

During the year, we conducted a thorough review of the Group's Strategic risk register, including all Principal Risks. This included an assessment of the Group's risk appetite for each area of risk, and the risk mitigations in place to reduce the risk impacts or likelihood. After careful consideration, two new Principal Risks were added in 2018. The Audit Committee and the Board consider that climate change and reputation should both be included as Principal Risks. Further information can be found on pages 45 to 48.

The Committee also monitors and reviews the work of the Group Risk function. The Committee agrees the Group Risk annual project plan with the Group Risk Manager, reviews of the findings of internal audit reports and monitors follow-up actions. There was an external assessment of the Group Risk function during 2018, which was carried out by assessors of the Institute of Internal Auditors (IIA). We were pleased to see that the results of that assessment were generally positive with no areas of non-conformance to IIA standards but with some recommended minor improvements around planning processes and procedural points which have now been actioned.

The Audit Committee met four times during 2018 and all members of the Committee attended each of the meetings. In addition, we held a discussion with the Group Risk Manager, without management present.

As part of external Board evaluation (further details of which are on page 59) the Audit Committee was assessed and found to be effective.

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

Rachel Kentleton
Chairman of the Audit Committee

Strategic report

Governance

Financial statements

Other information

DIRECTORS' REPORT - AUDIT COMMITTEE REPORT

AUDIT COMMITTEE KEY RESPONSIBILITIES

The key responsibilities of the Audit Committee are:

- Review of the Annual Report, Half Year Report and of the related financial and trading announcements;
- Assessment of significant judgements;
- Review of Group's Strategic Risk Register, Principal Risks and Viability Statement;
- Monitor the external audit and review its effectiveness;
- Review of the work of the Group Risk Function including the findings of internal audit reports; and
- Monitor the effectiveness of internal controls and the risk management framework.

Further details are set out below.

AUDIT COMMITTEE COMPOSITION

The Audit Committee comprises three independent Non-Executive Directors, Rachel Kentleton, Chairman, Marion Sears and Simon Litherland. There were no changes to the composition of the Committee during 2018.

The Committee members have the required skills and experience to undertake their roles. The Committee Chairman is a qualified accountant and as the Finance Director of PayPoint plc has recent, relevant financial experience. Prior to this Rachel was Group Director, Strategy & Implementation at easyJet plc. Rachel therefore has considerable experience of operational, consumer facing businesses with long term investment cycles. Marion Sears has served on a number of audit committees both for operating companies and investment trusts. Simon Litherland is a qualified accountant and, as Chief Executive Officer of Britvic plc, has many years of leadership, business and finance experience in a consumer facing industry. Given the broad experience and expertise of the Committee members, the Committee as a whole has relevant skills and experience.

In addition, the Group Finance Director and Group Risk Manager attend each Committee meeting.

2018 PRIORITIES AND MAIN ACTIVITIES

The Audit Committee's priorities and its main activities for the 2018 financial year are set out below.

1. Financial Reporting

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

The Board asked the Audit Committee to consider whether the 2018 Annual Report taken as a whole is fair, balanced and understandable and whether it provides 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 and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. In reaching this decision, the Committee took into consideration the information it had received and discussions that had taken place during the year. The report is prepared by senior management with appropriate verification to ensure accuracy of the information presented.

2. Assessment of Significant Judgements

The Audit Committee reviews and assesses the significant financial issues facing the Group and determines the key risks of misstatement of the Group's financial statements. Following its review, it has assessed that the material financial issues of the Group for 2018 were unchanged from the previous year and were:

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

In addition, the Committee reviewed the accounting treatment that would arise in 2018 of the proposed net settlement of awards that vested on 31 December 2017 and 2 July 2018 under the Group's 2012 Long Term Incentive Plan ("2012 LTIP").

Further information on these matters is set out below.

Revenue recognition

Revenue for 2018 was £3.74bn. The Committee monitors the effectiveness of the internal controls exercised over the key processes employed by the Group to ensure the accuracy of revenue recognition and associated disclosures. Misstatements that occur in relation to revenue recognition could materially affect the revenue in the income statement, particularly in relation to revenue being recorded in the wrong period, due to cut off errors or management bias. IFRS 15, Revenue from Contracts with Customers, became effective from 1 January 2018. Management reviewed the application of the new standard to its current business practices. Revenue included in the Consolidated Statement of Comprehensive Income now includes the fair value of consideration received or receivable on the sale of part exchange properties, in addition to the previously reported fair value of the consideration received or receivable on the legal completion of a newly built property sale. Further details of the application of the new standard is included in Note 1 to the Financial Statements on page 104, and the analysis of total Group revenues is found at Note 5 to the Financial Statements. During the year, the Group Risk function reviewed the processes and internal controls that determine the accuracy of revenue recognition by the Group. Following this review the Committee is satisfied that the Group's processes are adequate.

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

The carrying value of the Group's land totalled £2.1bn at 31 December 2018, the carrying value of work in progress on site totalled £881.8m and the cost of sales was £2.6bn. Misstatements that occur in relation to land and work in progress valuations and profit recognition would affect the inventory balance sheet account and the cost of sales income statement account. There is a risk that the carrying value of land and work in progress could be subject to impairment write downs should market conditions deteriorate significantly. The carrying value of inventory is determined by reference to a number

of assumptions which are subject to management estimation and is assessed by management for impairment by reference to current market inputs and assumptions. The Committee continues to monitor the Group's key processes pertaining to its investment in site development activities and the valuation of work in progress and the effectiveness of the internal controls exercised over those processes. Members of the Group risk team attend the bi-monthly operating company valuation meetings and report on management's adherence to the Group's policies and procedures to the Risk and Audit Committees.

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 2018. The Committee concluded that the approach adopted by management supported the asset carrying values.

Carrying value of shared equity loan receivables

There are second charge loans remaining due to the Group under shared equity contracts previously entered into with some of its customers of £86.9m at 31 December 2018. These are reported as 'shared equity loan receivables' on the Group's balance sheet.

There is a risk that this balance could be misstated, given that the fair value of these assets is based on a number of assumptions which contain inherent uncertainties and which require management judgement. The Committee monitors the effectiveness of internal controls exercised over the key processes that are employed by the Group in managing these second charge loans.

Following a review of the assumptions adopted by management in support of the carrying value of these receivables, the Committee has concluded they remain appropriate. The Committee monitors the ongoing performance of these receivables with respect to redemptions and delinquency and are satisfied that management have adopted appropriate assumptions in this regard in support of the carrying value of these assets.

The Committee considers that the Group management's application of its accounting policies has resulted in a carrying value

which appropriately reflects the inherent risks of recoverability of these shared equity loan receivables.

Accounting treatment of the net settlement of awards that vested under the Group's 2012 LTIP

After the careful assessment of the Group's prospects and viability (see the Group's Viability Statement on pages 49 and 50) and the identification of available surplus capital in line with the Group's strategic objectives (see strategic objective No. 6, Optimising Working Capital and Returns, on pages 13 and 43) the Board decided to net settle the awards that vested under the 2012 LTIP, on 31 December 2017 and on 2 July 2018, on exercise. As a result, during the 2018 financial year, the Company reduced the number of shares it would otherwise have issued by 7.3 million shares to 8.2 million shares and recognised a liability of £180.2m to HMRC in respect of tax liabilities, £159.9m of which was paid by the year end.

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

The Audit Committee conducts regular reviews of the Group's detailed risk registers, the Principal Risks to the Company's business model (see pages 45 to 48), and the viability and prospects of the Company and its Viability Statement (see pages 49 and 50). During the year, there was a thorough review of the Group's Strategic risk register, including all Principal Risks. This included an assessment of the Group's risk appetite for each area of risk, and the risk mitigations in place to reduce the risk impacts or likelihood.

Following this review, the Group's Principal Risks were updated to reflect developments in the environment in which the Group operates. Two new risks have been added to the Group's Principal Risks, being Climate Change and Reputational risk. Details of all of the Group's Principal Risks and the Group's mitigation of those risks are set out on pages 44 to 48. The major risks facing the Group are scrutinised by the Committee and are reviewed against the controls in place to manage those risks, in order that the controls remain appropriate. In particular, during the year the Audit Committee reviewed:

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

In considering the Company's prospects and viability the Audit Committee considered a number of potential scenarios as described in the Company's Viability Statement on pages 49 and 50.

4. Monitor the External Audit and review its effectiveness

The Audit Committee monitors the performance and the objectivity of the External Auditor and considers whether the audit is effective. The Committee reviews and agrees the proposed detailed audit plan prior to Ernst & Young commencing their audit, including how the audit is to be conducted and the scope of that work. The Committee subsequently reviews the auditor's audit report and considers any matters raised by Ernst & Young and, where necessary, changes to processes are agreed. The Committee also agreed the work for the review of the Half Year Report.

In assessing the performance of the external auditor, the Committee takes into consideration senior management's view of the performance of Ernst & Young. Following the work completed for the 2018 audit, the Audit Committee continues to consider that the performance of Ernst & Young remains satisfactory.

Ernst & Young have been the Group's auditor since April 2016 and this is their third audit. They were appointed as auditor following a competitive tender exercise involving three leading audit firms. The Audit Committee does not plan to put the statutory audit services engagement out to tender in 2019 and we have recommended to the Board that Ernst & Young be re-appointed auditor.

Before commencing the audit for 2018, Ernst & Young prepared a detailed draft audit plan for review by the Committee, identifying their assessment of the key risks for audit consideration in 2018 and overall Group materiality. There was no change in the year to the significant financial risks previously identified, which are revenue recognition, the carrying value of the Group's land and work in progress including the accuracy of cost recoveries and the carrying value of the Group's shared equity receivables.

DIRECTORS' REPORT - AUDIT COMMITTEE REPORT

continued

The other areas of audit focus included impairment of goodwill and intangible assets; accuracy of current tax accrual and deferred tax balances; valuation of the Group's defined benefit pension scheme obligations and share-based payments. In addition, there was a review to confirm that the Group should properly be considered as a going concern; a review of the Viability Statement and their requirements as auditor to address the Board's application of the UK Corporate Governance Code.

The Committee consider the independence of the auditor and of the senior engagement partner at least annually. As part of that process, the Committee holds private meetings with members of the Ernst & Young audit team without management present to discuss the auditor's assessment of the business risks and management's activities with regard to those risks, the transparency and openness of interactions with management and confirmation that there has been no restriction in scope placed on them. Following the review of auditor independence, which took into consideration the fees paid to Ernst & Young, the Committee continues to consider that Ernst & Young and Peter McIver, audit engagement partner, remain independent.

In order to consider whether the auditor has demonstrated an appropriate mind set, including professional scepticism, the Audit Committee reviews the auditor's draft Audit Plan and discusses it with them.

The plan was reviewed and approved by the Committee at their April 2018 meeting. The final plan, including the proposed audit approach and scope for the 2018 audit was reviewed by the Committee and discussed with the auditor at their December 2018 meeting. The Company has complied with the provisions of the Statutory Audit Services Order 2014.

The Committee formulates and oversees the Company's policy on monitoring the objectivity and independence in relation to non-audit services. This policy was last reviewed in detail in 2017. In order that the nature of any non-audit services performed by the auditor and the fee earned for that work relative to the fees earned for the audit do not compromise, and are not seen to compromise the auditor's independence,

objectivity and integrity, the auditor is excluded from undertaking a range of work on behalf of the Group. This includes appraisal or valuation services, management functions and litigation support, actuarial services and legal or remuneration services on behalf of the Group. The Auditor may be commissioned to provide audit related services and permitted non-audit related services with the specific approval of the Audit Committee. There was compliance with the non-audit related policy during the year.

The fee paid to Ernst & Young LLP for their 2018 audit work was £196,200, details are set out on page 111. Additionally, audit related fees of £48,450 were paid to the firm for their work on their review of the 2018 Half Year Report and the Company paid £4,200 for the audit of the Persimmon Charitable Foundation 2017 annual report. The ratio of audit fees to non-audit fees for the year was therefore 3.7:1.

5. Review of the work of the Group Risk function

The Audit Committee reviews the work of the Group Risk function at each of its regular meetings. This includes review and approval of the Group Risk annual project plan, review of all reports of Group Risk findings, and monitoring of follow-up actions. Within 2018, the Committee reviewed reports from the Group Risk function on the following matters:

- Brickworks controls;
- Group Training: coverage and effectiveness;
- Non-Financial reporting (planning for UK Corporate Governance Code 2018);
- Modern Slavery: supply chain risk assessment;
- Compliance with sales processes;
- Labour only subcontractor processes;
- FibreNest planning;
- Revenue recognition processes and controls;
- Review of costs and recoveries on infrastructure sites;
- Payment authorisation and processing controls;
- Business continuity and disaster recovery; and
- Duplicate payments analysis and recovery.

The Group Risk function also reviews all whistleblowing reports, conducting investigations where necessary, and provides details to the Committee.

An external assessment of the Group Risk function was carried out by assessors from the Institute of Internal Auditors (IIA), in line with a requirement of the IIA's professional standards to perform such a review every five years. The results of the assessment were generally positive, with no areas of non-conformance. Improvement actions were identified in some areas, such as the internal audit planning process and resource allocation and reporting. The majority of other recommendations made by the assessors were minor or procedural points, most of which were addressed immediately by the Group Risk function.

In line with the Committee's terms of reference, the Committee meets with the Group Risk Manager annually, without management present.

6. Other key actions

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

- full review of liquidity risk and whether the Group can continue to adopt the going concern basis in preparing the accounts;
- review of the Group's tax status and tax strategy;
- the processes around the Group's succession planning, given the vesting of awards on 31 December 2017 and 2 July 2018 under the 2012 LTIP, including a review of the procedure for pre-employment checks on senior management;
- the Group's approach to the equalisation of Guaranteed Minimum Pension benefits under its defined benefits pension schemes; and
- IT control risks.

INTERNAL CONTROL AND RISK MANAGEMENT

The effective management of risk is central to the achievement of our objectives and delivery of the long term sustainable growth of our business. The Board has overall responsibility for the Company's system of internal control and for the review of its effectiveness.

System of Internal Controls

The internal control environment of the Company is based upon a three lines of defence model. The first line of defence is management's day-to-day oversight of business activities. Functions with Group wide remits constitute the second line of defence, providing guidance, direction and instruction to operating companies, supporting Group wide operations with standardised systems and processes. These functions also conduct assurance activities to ensure these are embedded effectively. The Group Risk function operates as the third line of defence, providing assurance on the effectiveness of all aspects of risk and internal control through their annual project plan, which is approved by the Risk and Audit Committees. The Risk Committee ensures the Board's policies are implemented through the regular review of control systems and procedures. This includes determining appropriate control procedures and the review of the effectiveness of internal controls, including the review of internal audit reporting provided by the Group Risk function.

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

The Principal Risks faced by the Group are set out on pages 45 to 48 and changes during the year are explained above.

Risk and Audit Committee oversight

The members of the Risk committee during 2018 were Jeff Fairburn (Chairman), Rachel Kentleton, Mike Killoran, and Dave Jenkinson. Jeff Fairburn resigned from the Risk Committee when he left the Group on 31 December 2018. The Risk Committee is supported by the Group Risk Manager and Group Risk function. The Risk Committee reports to the Audit Committee, which oversees the Risk Committee's activities.

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

There were five meetings of the Risk Committee in 2018, ensuring there has been an ongoing and robust process for the identification, evaluation and management of the main risks faced by the Group and the effectiveness of the controls in place to mitigate them. The key features of the Risk Committee's review process were as follows:

- review of reports produced by the Group Risk Department on internal control and management of risk;
- review of representations on risk and control from all Managing Directors of operating businesses following individual reviews of internal control within their operating businesses;
- review of representations on risk and control from both Group and divisional management;
- review of reports provided by heads of various business functions, covering areas such as tax, information technology and the shared equity portfolio; and
- monitoring of whistleblowing reports or other significant control issues or incidents reported.

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

In addition to the meetings of the Risk Committee, the Committee members also completed the following tasks, which are essential parts of the Group's risk control framework:

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

On completion of these processes the Risk Committee formally considered the annual review of the effectiveness of the Group's system of internal control. This review covered all material controls including financial, operational and compliance controls, as well as the Group's risk management system. There were no material issues identified from the review. The review for 2018 has been completed and approved by the Risk and Audit Committees and by the Board. A detailed 2019 programme of work for the Group Risk Department, designed to provide effective coverage of key areas of risk, has also been approved by the Risk and Audit Committees.

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

DIRECTORS' REPORT – OTHER DISCLOSURES

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, Space4 and FibreNest.

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 137 to 147.

Strategic Report

The management report for the purposes of the Disclosure Guidance and Transparency Rule 4.1.8.R is included in the Strategic Report on pages 2 to 50. A description of the Group's future prospects, research and development, the principal risks and uncertainties facing the business and important events affecting the Group since 31 December 2018 are contained within the Strategic Report. Details of the financial risk management objectives and policies of the Group and associated risk exposure are given in note 21 to the Financial Statements.

Results and return of cash

The Group's revenue for 2018 was £3,737.6m and its consolidated profit before taxation was £1,090.8m.

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

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

As set out in the Chairman's Statement an interim dividend of 125 pence per share will be paid on 29 March 2019 to shareholders on the register on 8 March 2019 under the Company's Capital Return Plan. In addition, it is proposed to pay a final dividend of 110 pence per share, on 2 July 2019, to shareholders on the register on 14 June 2019 (2018: return of cash of 125 pence and 110 pence per share).

Going concern

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

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

Directors and Directors' interests

The current Directors of the Company and their biographical details are shown on pages 56 and 57. Details of the Executive Directors' service contracts are given in the Remuneration Report on page 78. All of the Directors served for the whole of the year, with the exception of Roger Devlin who was appointed to the Board on 1 June 2018.

In addition, Nicholas Wrigley and Jeff Fairburn were Directors of the Company during the year. Nicholas Wrigley resigned on 26 February 2018 and Jeff Fairburn left the Group on 31 December 2018.

The beneficial and non-beneficial interests of the Directors and their connected persons in the shares of the Company at 31 December 2018 and as at the date of this report are disclosed in the Remuneration Report on page 80. Details of the interests of the Executive Directors in share options and awards of shares can be found on pages 76 and 79 within the same report.

Appointment and replacement of Directors

The Directors shall be no less than two and no more than 15 in number. Directors may be appointed by the Company by ordinary resolution or by the Board of Directors.

A Director appointed by the Board of Directors holds office until the next following AGM and is then eligible for election by the shareholders. The Company may by special resolution remove any Director before the expiration of their term of office.

In accordance with the UK Corporate Governance Code the Board has determined that all Directors will be subject to annual re-election by shareholders. The Company's Articles of Association ('the Articles') in any event provide that at each AGM at least one third of the Directors shall retire from office and shall be eligible for reappointment and therefore each Director shall retire from office and shall be eligible for reappointment at the AGM held in the third year following their last reappointment. In accordance with the Articles and the UK Corporate Governance Code 2016, a Non-Executive Director who has been in office for more than nine years consecutively shall retire at each AGM and shall be eligible for reappointment.

Powers of the Directors

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

Capital structure

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

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

Share capital

The Company has one class of share in issue, being ordinary shares with a nominal value of 10 pence each, which carry no right to fixed income. During 2018 8,703,631 ordinary shares were issued with a nominal value of £870,363 to employees exercising share options. The Company received consideration of £1,956,823 for options exercised under the Group's savings-related share option scheme. At 25 February 2019 the issued share capital of the Company was 317,589,512 ordinary shares with a nominal value of £31,758,951. Further details are provided in note 23 to the Financial Statements.

Shares may be issued with such preferred, deferred or other rights or restrictions, whether in regard to dividend, return of capital, or voting or otherwise, as the Company may from time to time by ordinary resolution determine (or failing such determination as the Directors may decide), subject to the provisions of the Companies Act 2006 and other shareholders' rights.

There are no securities carrying special rights with regard to control of the Company.

The Directors may allot, grant options over, or otherwise dispose of shares in the Company to such persons (including the Directors themselves) at such times and on such terms as the Directors may think proper, subject to the Articles, the Companies Act 2006 and shareholders' rights. At the AGM on 25 April 2018 shareholders gave Directors authority to allot ordinary shares up to a maximum nominal amount of £10,364,237, representing approximately one third of the Company's issued share capital as at 12 March 2018. Shareholders also gave Directors authority to disapply pre-emption rights on the issue of shares up to 5% of the issued share capital, being an aggregate nominal amount of £1,554,635. These authorities will expire at the conclusion of the AGM on 1 May 2019. 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 by one member and discretion by another, the proxy has one vote for and one vote against a resolution. On a vote on a poll, each member present in person or by proxy or by duly authorised representative has one vote for each share held by the member.

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

Transfer of shares

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

Qualifying third party indemnity provisions and qualifying pension scheme indemnity provisions

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

Change of control provisions

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

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

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

Emissions

The Group's greenhouse gas emissions are set out in the Strategic Report on page 34.

DIRECTORS' REPORT - OTHER DISCLOSURES

continued

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 publishes an employee newsletter, "HQ" regularly to ensure employees are kept well informed of the Group's operations. As mentioned on pages 58 and 59 of this report, the Group has established an Employee Engagement Panel and a Gender Diversity Panel as part of its commitment to employee engagement, diversity and corporate governance best practice. 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. Details of how we engage with our employees are set out on page 54.

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

In addition, information concerning the financial performance of the Group is sent to each operating business for circulation.

Equal opportunities

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

Acquisition of own shares

At the AGM held on 25 April 2018 shareholders granted the Company authority to purchase up to an aggregate of 31,092,713 of its own shares. No shares have been purchased to date under this authority and therefore at 31 December 2018 the authority remained outstanding. This authority expires on 1 May 2019 and a resolution to renew the authority will be put to shareholders at the forthcoming AGM.

At 31 December 2018 the Company held no shares in treasury.

Annual General Meeting

The AGM will commence at 12 noon on Wednesday 1 May 2019 at York Racecourse, Knavesmire Road, York YO23 1EX. The Notice of Meeting and an explanation of the ordinary and special business are given in the AGM circular, which is available on the Company's website and which has been sent to shareholders.

Disclosure of information to auditors

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

Directors' responsibility

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. The Directors consider that the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Board reached this conclusion after receiving advice from the Audit Committee. Further details are provided on page 64.

By order of the Board


Tracy Davison
Company Secretary
25 February 2019

Persimmon Plc
Company registration number 1818486

REMUNERATION COMMITTEE CHAIRMAN'S STATEMENT

Graphic removed

"We spent 2018 working to ensure that Persimmon's future remuneration structure is aligned with best practice and we have reshaped Executive Director remuneration so that it is both lower overall and more balanced, with increased weightings on customer care and quality of build."

Marion Sears
Chairman of the
Remuneration Committee

The business delivered a strong performance in 2018, and we built 16,449 new homes across the UK. However in remuneration terms the year was overshadowed by the 2012 LTIP, which has now concluded having vested in two parts in December 2017 and July 2018. While the Remuneration Committee had no discretion to reduce the LTIP awards, in February 2018 the Executive Directors surrendered part of their entitlements and extended the holding period for certain shares. We had extensive engagement with our shareholders in the year on this matter.

We spent 2018 working to ensure that Persimmon's future remuneration structure is aligned with best practice and we have reshaped executive director remuneration so that it is both lower overall and more balanced, with increased weightings on customer care and quality of build. All awards now include discretion to reduce any formulaic out-turns plus updated malus and clawback provisions. Below the executive, the Committee has set the pay for the Regional Chairs and Company Secretary in 2019 using the same structure and metrics so that the whole senior team is aligned. At the next level, incentive pay for senior operational management also includes customer care performance conditions, aligning their interests with this priority for the Group. Beyond this, we have introduced the Living Wage Foundation criteria for our employees, we have created an employee advisory panel and we are refining a remuneration dashboard so that the Committee can better know and understand its workforce, to ensure that all remuneration decisions are made in context.

2018 Pay

The Single Total Figure of Remuneration in 2018 reflects the final vesting of the 2012 LTIP, which was an award covering up to a 10-year performance period. Further details are provided on page 73.

Given the overall quantum vesting to the Executive Directors, the Committee used its discretion not to increase basic salaries or benefits and not to make awards under the Company's 2017 Performance Share Plan ('PSP') to Jeff Fairburn, Dave Jenkinson or Mike Killoran in 2018.

Equally, no bonus will be paid to the Executive Directors in respect of 2018 but we took the opportunity early in the year to re-structure the bonus performance conditions. We reduced the financial metrics to 70% (35% profit before tax and 35% cash generation) and we increased the non-financial metrics to 30%. Within non-financial metrics we increased the importance of customer care to 15% and we introduced personal objectives to account for 15%. As described in the 2017 annual report, the Executive Directors agreed to waive their bonus entitlement in 2018 but it continued to be measured for Dave Jenkinson and Mike Killoran (but not for Jeff Fairburn). This 'notional bonus' vested 57.8% and will be distributed to relevant employees who did not participate in the 2012 LTIP or the Company's PSP.

Below board level, no 2012 LTIP participant received a PSP award in 2018 but an award was made to a number of senior staff who were new joiners or have recently been promoted. This award covers a three-year performance period, plus a two-year holding period and incorporates new balanced metrics which we plan to use consistently in the future, being 40% relative Total Shareholder Return, 40% cash generation and 20% cultural measure (which for 2018 awards is customer care and includes an underpin requiring the group score to be 4 star on average during the performance period for any vesting of this element).

REMUNERATION COMMITTEE CHAIRMAN'S STATEMENT

continued

Jeff Fairburn Settlement Terms

It was announced in November that Jeff Fairburn would leave the Group on 31 December 2018. We had no discretion to reduce the 2012 LTIP award shares and under the terms of the settlement agreement and the deed of surrender (which set out the restrictions on certain of the shares Jeff acquired under the 2012 LTIP), Jeff Fairburn is required to continue to hold these restricted shares until 6 July 2021. This equates to a post cessation shareholding requirement over shares with a value of £7.8m as at 31 December 2018 for two-and-a-half years.

The Company agreed with Jeff to reduce his notice period so there will be no further payments of salary or provision of benefits (including pension) after 31 December 2018. He had no bonus entitlement for 2018 and his deferred bonus awards and unvested SAYE options lapsed when he left the Company.

Full details of the remuneration arrangements relating to Jeff's exit are detailed on page 78.

Remuneration in 2019

Executive Directors

Dave Jenkinson was appointed Interim Group Chief Executive with effect from 1 January 2019. Dave agreed that his remuneration arrangements should remain unchanged on his appointment to the interim role.

The Board has decided to appoint Dave Jenkinson as Group Chief Executive. Dave has again agreed that there will be no change to his remuneration during 2019 in his new role. A new remuneration package for Dave will be implemented from 1 January 2020, which will coincide with the introduction of our new Policy, and will include a reduction of his pension supplement into line with the wider workforce. We expect to consult with shareholders on these matters in autumn 2019. There will be no bonus or PSP awards made to Dave Jenkinson or Mike Killoran in 2019.

We recognise the provisions of the new UK Corporate Governance Code 2018 and also the increasing expectation from shareholders that pension provision be in line with the wider workforce. Accordingly, Mike Killoran decided to reduce his pension provision from 30% of salary to 9% with effect from 1 March 2019, which is in line with pension provision for salaried staff, who make up the majority of the workforce.

We have also adopted a new shareholding requirement policy which includes a post cessation requirement for Executive Directors. The new shareholding requirements for Executive Directors, which apply to future awards, will be increased from two times salary to five times salary for Mike Killoran and Dave Jenkinson. Post cessation, Executive Directors will be required to retain 100% of their requirement (or actual holding if lower) for two years following departure. As outlined on page 80, there is also an existing extended holding period which applies to the 'restricted shares' under the 2012 LTIP to 2021 for Mike Killoran and until 2020 for Dave Jenkinson.

Below Board

Below board level the Regional Chairmen and Company Secretary, who now fall under the Committee's remit, are eligible to participate in a discretionary bonus plan and we also intend to make a PSP award to this group in 2019. The bonus metrics are linked to regional or local operating business performance whereas the PSP contains group metrics as described above. Across both bonus and PSP, cultural metrics now account for approximately 25% of targeted performance pay.

Outlook

Dave Jenkinson and Mike Killoran have both committed to remain with the business and voluntarily pledged part of their 2012 LTIP second vest against this commitment in line with their extended holding periods announced last year. Together they have 43 years' experience at the Company. In recent years, they have presided over a period of sustained financial outperformance and we believe that they have the experience and skills to manage the business and that they will contribute stability and continuity going forward.

I hope that all stakeholders can see the efforts of all the Directors to position us appropriately for the future.

Looking forward, I trust that we have demonstrated that we will adopt best practice for future remuneration. We will ask shareholders to vote on a new remuneration Policy in 2020, following consultation. On this basis, we hope that shareholders will support us in this year's advisory vote and we look forward to meeting many of you in the coming weeks.

Marion Sears
Chairman of the
Remuneration Committee
25 February 2019

SUMMARY OF THE 2012 LONG TERM INCENTIVE PLAN

The Group's 2012 Long Term Incentive Plan (2012 LTIP) concluded in 2018 and was designed to align long term performance-related remuneration for the Group's senior management team with the strategy announced in February 2012. Under the rules of the 2012 LTIP, 40% of the awards vested on 31 December 2017 (the value of which was included in the 2017 Remuneration Report) and the remaining 60% vested on 2 July 2018. The 2012 LTIP concluded on 2 July 2018 with the second vesting. A summary of the 2012 LTIP is set out below to give context to the second and final vesting of awards on 2 July 2018. The plan and the number of shares awarded were approved by shareholders in 2012.

Summary of the 2012 LTIP

The key features of the 2012 LTIP were:

- The performance condition was cash returned to shareholders under the Capital Return Plan
- 133 staff had awards which vested in 2018
- This was a long term plan, on launch it was expected to last ten years to 2021, shares vested early due to the strong performance of the Group and acceleration of Capital Return Plan payments
- Shareholders received dividends annually from 2013, but no awards vested to the Executive Directors until 31 December 2017

Reduction of Awards by Executive Directors

In February 2018 it was announced that:

- Jeff Fairburn and Mike Killoran reduced their overall entitlement by a number of shares equal to 50% of the shares to which they would become entitled on the second vesting. Dave Jenkinson reduced his overall entitlement by a number of shares equal to 50% of the shares subject to awards granted to him since being promoted to the Board, to which he would become entitled on the second vesting. In total this equated to the voluntary surrender of 2.8m shares under award, valued at over £50m in February 2018

- The Executive Directors extended the holding period applying to certain of their shares acquired (net of tax) under the second vesting to 2021 for Jeff Fairburn, and Mike Killoran, and until 2020 for Dave Jenkinson
- The Executive Directors decided that the extension of the holding period applying to certain of the second vest shares include a requirement that they would forfeit shares if they resigned from employment with Persimmon. These shares were voluntarily pledged by each Director as security against his commitment to stay with the business (the "restricted" shares)
- If the Executive Directors were dismissed by the Company (including after an adverse shareholder vote) during their extended holding period they would retain the restricted shares but continue to hold them for the extended holding period
- If any of the Executive Directors left the business during their extended holding period due to retirement or ill health, the Remuneration Committee would have discretion as to the forfeiture or retention of the restricted shares, acting fairly and reasonably, and any restricted shares retained would be held for the extended holding period
- The value of the second vesting entitlement is capped to a maximum of £29 per share

The Executive Directors did not agree to put any of their vested 2012 LTIP shares at risk in the event of dismissal by the Company, other than for gross misconduct, serious material breach of obligations, being convicted of a criminal offence or if found guilty of a serious breach of the UKLA listing rules.

An important purpose of this agreement from the Company's point of view was to retain the Executive Directors in the business and to extend formally the original 12 months holding period for a meaningful period. This retention remains in place for Dave Jenkinson and Mike Killoran. Although he has left the Group, Jeff Fairburn must retain his restricted shares until July 2021.

Group Performance since 2012

- By 31 December 2018 £2.2bn, equivalent to 720p per share, had been returned to shareholders
- All returns were paid out of surplus capital. We have invested c. £3.8bn in land since strategy launched in early 2012
- In February 2018, additional returns of 125p per share were announced for 2018, 2019 and 2020

Summary of Value Creation

- The value delivered to shareholders between February 2012 and 21 February 2019 was £8.1bn
- The latest estimated value delivered to participants from the awards that have now vested in full is £444m, representing 5.5% of the value delivered to shareholders

Graph removed

ANNUAL REPORT ON REMUNERATION

The Remuneration Committee's Annual Report on Remuneration for the year ended 31 December 2018 is set out below. Details of the remuneration for 2018 is set out on pages 74 to 83 and the proposed implementation of the remuneration policy for 2019 is set out on pages 83 to 85. The auditor is required to report on the following information up to and including the Statement of Directors' shareholding requirements and share interests.

The figures set out in the table below are the actual amounts of salary or fees earned in the year to 31 December 2018. The value of 2012 LTIP awards vesting in 2017 and 2018 is the notional value of the proportion of the awards which vested on 31 December 2017 and 2 July 2018 respectively, which are the figures we are required to publish. The participants did not acquire their shares on these dates and therefore these values cannot be deemed to be the values the participant will receive. The actual value for income tax purposes is determined on the date the participant exercises their award, and the exercise date is at the choice of each individual participant and is until 31 December 2022 at the latest for Dave Jenkinson and Mike Killoran and was 31 December 2018 for Jeff Fairburn.

In February 2018, the Executive Directors decided to reduce their entitlement to awards under the 2012 LTIP. Details are set out on page 73.

Single total figure of remuneration for the year ended 31 December 2018

	Salaries and fees 2018 £	Salaries and fees 2017 £	Benefits 2018 £	Benefits 2017 £	Annual bonus 2018 £	Annual bonus 2017 £	Value of LTIP Awards Vesting 2018 £	Value of LTIP Awards Vesting 2017 £	Value of SAYE Options Maturing 2018 £	Value of SAYE Options Maturing 2017 £	Value of pension benefits earned/ Salary supplement 2018 £	Value of pension benefits earned/ Salary supplement 2017 £	2018 Total £	2017 Total £
Chairman														
R Devlin*	175,000	-	0	0	-	-	-	-	-	-	-	-	175,000	0
N H T Wrigley**	35,647	213,880	3,833	23,000	-	-	-	-	-	-	-	-	39,480	236,880
Executive														
J Fairburn ^Δ	675,270	675,270	50,803	42,800	0	1,292,737	38,079,059	43,542,118	0	24,524	162,065	162,065	38,967,197	45,739,514
D Jenkinson ^Δ	511,625	511,625	41,608	33,470	0	739,437	24,307,722	18,930,541	0	24,524	125,428	129,827	24,986,383	20,369,424
M H Killoran	511,775	511,775	62,982	48,245	0	734,807	25,236,086	35,217,549	0	24,524	153,533	153,533	25,964,376	36,690,433
Non-executive														
M Sears [¥]	90,000	75,714	-	-	-	-	-	-	-	-	-	-	90,000	75,714
R Kentleton	75,000	75,000	-	-	-	-	-	-	-	-	-	-	75,000	75,000
N Mills ^Ω	111,606	60,714	5,940	-	-	-	-	-	-	-	-	-	117,546	60,714
S Litherland [⊕]	60,000	44,670	-	-	-	-	-	-	-	-	-	-	60,000	44,670
Totals	2,245,923	2,168,648	165,166	147,515	0	2,766,981	87,622,867	97,690,208	0	73,572	441,026	445,425	90,474,982	103,292,349

* 2018 figures are from 1 June 2018, the date Roger Devlin was appointed to the Board.

** Nicholas Wrigley resigned from the Board on 26 February 2018. Nicholas was paid his salary and car allowance up to 28 February 2018. The payment included £1,302.68 in respect of the period from 27-28 February 2018.

Δ The value of 2012 LTIP awards which vested in 2017 have been restated for Jeff Fairburn to reflect the surrender of an award in February 2018 which had vested in part in December 2017.

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

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

Ω Nigel Mills' 2018 fees include additional fees for the period from 26 February 2018 to 31 May 2018 in which he was Acting Chairman.

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

Additional information on the amounts which make up the Single Total Figure of Remuneration is set out below.

Benefits

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

Notional annual bonus 2018

Taking into consideration the early vesting of awards under the 2012 LTIP, the Remuneration Committee determined that the Executive Directors would not receive an annual bonus for the year ending 31 December 2018. Although there is no annual bonus payable to the Executive Directors, the Remuneration Committee agreed with the Executive Directors' request that the bonus still be measured and any amounts 'earned' be distributed to the Group's employees who worked for the Group from 1 January 2012 to 30 June 2017 (excluding those employees who participated in the 2012 LTIP or participate in the 2017 Performance Share Plan ("2017 PSP").

The notional bonus targets are set out below for information purposes only in order that shareholders can see the conditions that would have applied. In particular, targets were made more stretching and strategic and personal metrics were introduced.

Two financial and two non-financial metrics made up the performance condition for Executive Directors' notional 2018 annual bonus. The financial metrics were profit and cash generation measures, which each make up to 35% of maximum bonus potential. These two financial measures are closely linked to the Group's long term strategy to deliver sustainable value and return surplus cash to shareholders under its Capital Return Plan, see page 43 and the Key Performance Indicators on pages 14 and 15. The non-financial metrics were a customer care measure, which makes up to 15% of maximum bonus and is an important strategic objective for the Group, see page 12 and personal and strategic objectives which made up the remaining 15%. The Remuneration Committee introduced an overriding discretion to not pay any part of an annual bonus if, acting fairly and reasonably it considers there have been failures in health and safety, risk or reputational standards.

The profit performance condition for the notional 2018 annual bonuses was again linked to the Group's profit before tax (before exceptionals and goodwill impairment) for the year (the 'profit measure'). The cash generation performance condition did not change from the previous year and was the Group net cash inflow before Capital Return Plan and net land payments for the year (the 'cash generation measure'). The Committee again included a customer care metric in the performance condition for the 2018 notional annual bonus. Customer care remains an important strategic focus for the Board and the Committee considered that part of the Executive Directors' notional annual bonus target should continue to be based on performance linked to that. The measure chosen for 2018 was to achieve a minimum percentage of operating businesses rated as 4 star and above as measured by the results of the Home Builders Federation ("HBF") Customer Satisfaction Survey question, 'Would you recommend Persimmon to a friend?'. This survey is an independent measure of customer satisfaction for houses legally completed from October 2017 to September 2018, measured from survey responses published up to 8 February 2019.

The strategic performance objectives related to key activities which were identified by the Board as reflecting the focus for management in people development, talent management and HR function planning. The strategic objectives were set to recognise where the Group was on its development. The Remuneration Committee considered that progress had been made but that the strategic objectives had not been met in full and therefore, in aggregate, this part of the condition would contribute 9% of a maximum 15% of notional bonus.

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 threshold, target and maximum. The notional maximum bonus payable is 150% of base salary for the two incumbent Executive Directors. There was no bonus entitlement, notional or otherwise, for the Group Chief Executive.

	Target range for 2018 notional annual bonus			Actual achieved	Actual percentage of maximum notional bonus payable
	Threshold	Target	Maximum		
2018 Notional annual bonus condition					
Profit measure	£985m	£1,059m	£1,133m		
Percentage of maximum potential bonus payable	3.5%	17.5%	35.0%	£1,100m	27.2%
Cash generation measure	£1,020m	£1,097m	£1,174m		
Percentage of maximum potential bonus payable	3.5%	17.5%	35.0%	£1,082m¹	14.1%
Customer care measure – HBF Customer Satisfaction Survey – fraction of operating companies rated 4* and above as at 31 December 2018	>1 rated 4* and above	100% rated n/a 4* and above			
Percentage of maximum bonus payable	Up to 15% of maximum potential bonus if 100% rated 4* and above			15/30 X 15%	7.5%
Strategic targets	Up to 15% of maximum potential bonus				9%
Total notional bonus payable					57.8%

¹ The Cash Generation Figure is calculated as follows:

Cash at 31 December 2017:	£1,303m
Cash at 31 December 2018:	£1,048m
Decrease in cash:	£255m
Add: Dividends paid:	£732m
Net land spend:	£605m

Cash generation pre land investment¹

-22%

£1,082.8m

2017: £1,382.6m

As a result of the performance conditions being met by 57.8%, relevant employees will receive an additional bonus payment in March 2019.

¹ Cash generation pre land investment is net cash flow before capital return (£732.3m) and net land investment (£605.1m), (2017: capital return £416.6m and net land investment £576.3m).

ANNUAL REPORT ON REMUNERATION

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Long Term Incentive Plan awards vesting in 2018

Awards granted under the 2012 LTIP had a performance condition based upon the return of £6.20 per share to shareholders under the Group's Capital Return Plan. Under the rules of the 2012 LTIP, 40% of the awards vested on 31 December 2017 as the Group had made returns to shareholders of £4.85 per share, equal to £1.5bn. Further Capital Return Plan payments of 125p per share and 110p per share were paid to shareholders on 29 March 2018 and 2 July 2018, respectively and the performance condition was met in full on 2 July 2018. In February 2018, the Executive Directors informed the Remuneration Committee of a series of decisions intended to reduce the scale of payments and extend the holding period under the second tranche. Details are provided on page 73.

The regulatory value of the proportion of the awards that vested on 2 July 2018 (after the reduction described on page 73) is set out below and this information is required to be included in the Single Total Figure of Remuneration table. This is a notional value and cannot be deemed to be the value the participant will actually receive when they exercise their award and acquire the shares. Details of awards actually exercised by the Executive Directors during the year are provided in the table on page 79.

Name	Number of shares granted	Number of shares vested on 31 December 2017	Options reduced*	Number of shares vested on 2 July 2018	Date of second vesting	Market Price at 2 July 2018	Initial Option Price	Option Price to Pay	Notional Value of the proportion of the awards which vested on 2 July 2018 (Value used in the single Total Remuneration Table)
Jeff Fairburn	2,416,000	966,400	0	1,449,600	02/07/2018	£24.87	£6.20	£0.00	£36,051,552
	2,174,400	869,760	1,208,000	96,640	02/07/2018	£24.87	£11.09	£3.89	£2,027,507
	241,600	96,640	241,600	0	02/07/2018	£24.87	£16.84	£11.09	£0
Dave Jenkinson	1,209,677	483,870	0	725,807	02/07/2018	£24.87	£6.20	£0.00	£18,050,820
	460,523	184,209	0	276,314	02/07/2018	£24.87	£11.355	£4.905	£5,516,609
	745,800	298,320	361,897	85,583	02/07/2018	£24.87	£21.02	£16.22	£740,293
Mike Killoran	3,382,400	1,352,960	1,014,720	1,014,720	02/07/2018	£24.87	£6.20	£0.00	£25,236,086

* As announced in February 2018, the Executive Directors decided to reduce their overall entitlement and extend the holding period attached to certain of their shares.

The return of £6.20 per share to shareholders had to be achieved by the Measurement Dates set out below.

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

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

The total number of shares held under an option that could vest was determined by reference to the fraction $x/£6.20$, where x is the value of the Cumulative Cash Returns paid by the relevant Measurement Date. All options have therefore vested in full.

In considering the extent to which the performance condition has been satisfied, no options were capable of vesting and becoming exercisable unless, in the opinion of the Committee, acting fairly and reasonably, the cash returns paid by the Company were financed out of retained earnings and the Company had an ungeared balance sheet at the relevant Measurement Date, except to take account of events and/or circumstances which the Committee fairly and reasonably determines are appropriate (the 'Underpin'). The Remuneration Committee has confirmed that £6.20 per share has been returned by the Group within the Underpin and therefore the Performance Condition was met by 2 July 2018.

In alignment with the capital discipline at the core of the Group's long term strategy, on 26 February 2018 the Board determined to net settle the 40% of options granted under the 2012 LTIP that vested on 31 December 2017. The Board subsequently decided to also net settle the second tranche of awards which vested on 2 July 2018. Participants sacrifice their interest in an appropriate number of shares issued in exchange for an equivalently valued cash payment being sufficient to allow the participants to meet their income tax and employee national insurance liabilities in respect of the exercise of their vested options. The value of these liabilities is determined by the Company's share price on the date participants choose to exercise their options together with the prevailing income tax and national insurance contribution rates at that time, see note 29.

Savings-Related Share Option Scheme ('SAYE')

The SAYE Scheme is an HMRC approved all employee savings related share option scheme. Invitations are issued annually to all employees to apply for the grant of an option under the SAYE. There are no performance conditions attached to options granted under the SAYE. None of the Executive Directors' SAYE options matured in 2018.

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	n/a	162,065	162,065
D Jenkinson	10,828	114,600	125,428
M H Killoran	n/a	153,533	153,533

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

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

	Accrued pension as at 31 December 2018 £	Accrued pension as at 31 December 2017 £	Increase in accrued pension £	Increase in accrued pension during the year (net of inflation) £
D Jenkinson	46,768	44,880	1,888	541

Jeff Fairburn and Mike Killoran ceased membership of the Company pension schemes, both previously earned benefits in the Company's defined benefit pension scheme. Mike Killoran's scheme retirement age is 60 and Jeff Fairburn's is 65. Mike Killoran was paid a salary supplement of 30% of his base salary during 2018, which the Committee (after taking advice) considered was cost neutral to the Company based on the pension benefits Mike Killoran previously earned. Mike Killoran decided to reduce his pension salary supplement to 9% with effect from 1 March 2019. Jeff Fairburn received a salary supplement of 24% of his base salary.

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

ANNUAL REPORT ON REMUNERATION

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Payments for loss of office

In December 2018 the Company paid £9,450 in legal fees for Jeff Fairburn in respect of the termination of his employment. A further £500 was paid to Jeff Fairburn in consideration of the execution of his Settlement Agreement. There were no other payments for loss of office in 2018.

Jeff Fairburn's Settlement Agreement

As previously announced Jeff Fairburn's employment with the Company ended on 31 December 2018 and details of the terms of the Settlement Agreement agreed by Jeff Fairburn and the Company on 6 November 2018 are set out below.

The Company agreed with Jeff to reduce his 12 month notice period and therefore no further payments of salary or provision of benefits (including pension) were made to Jeff after 31 December 2018. Jeff also had no bonus entitlement for 2018.

The Company agreed to contribute up to £10,000 plus VAT but inclusive of any disbursements towards the reasonable legal fees incurred by Jeff in obtaining advice exclusively in respect of the termination of his employment. As set out above, £9,450 including VAT was paid for his legal fees.

In respect of outstanding share awards the Company agreed the following:

2012 LTIP

The arrangements in relation to Jeff's entitlement under the 2012 LTIP satisfied his contractual entitlement; the Remuneration Committee did not exercise any discretion in his favour. Following the surrender of options announced on 23 February 2018, the second and final vest of all remaining options to all participants in the 2012 LTIP occurred in full on 2 July 2018. The extension of the holding period applying to 50% of Jeff's remaining second vest shares (after payment of tax) included a requirement that Jeff not resign from employment with Persimmon and these shares were voluntarily pledged by Jeff as security against his commitment to stay with the business (the "restricted" shares). Whilst the Company sought to mitigate the entitlement falling due to Jeff, as the Company asked Jeff to leave, legal advice confirmed that the Company did not have any discretion to withhold or seek forfeiture over any of the "restricted" 2012 LTIP shares, although these continue to be required to be held until 6 July 2021.

Jeff was entitled to exercise all of his options under the 2012 LTIP which remained outstanding following the surrender of options announced on 23 February 2018. Any such exercise had to take place no later than 31 December 2018. Jeff exercised his remaining awards under the 2012 LTIP on 6 December 2018.

Bonus share scheme

Jeff's deferred bonus share scheme awards granted under the Company's annual bonus plan in respect of bonuses earned in 2016 and 2017 automatically lapsed in full on 31 December 2018, as a result of his leaving at the Company's request.

Savings Related Share Option Scheme (SAYE)

Jeff's unvested SAYE options also lapsed on 31 December 2018.

Payments to past Directors

There were no payments to past Directors for the year ended 31 December 2018 where the total payment to the former Director exceeded a threshold set by the Company of £60,000.

Service contracts

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

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

Directors' share option scheme interests

	Scheme	Total interests outstanding at 31 December 2017	Granted in year	Acquired in year	Reduced in year	Lapsed to satisfy option exercise price or lapsed on leaving*	Exercise price/market price at date of award	Interests without performance conditions	Interests with performance conditions	Total interests outstanding at 31 December 2018	Options vested but unexercised	Latest Vesting Date
J Fairburn	2012 LTIP	2,416,000	-	2,412,620	-	3,380	620p	-	-	0	-	100% July 2018
	2012 LTIP	2,174,400	-	772,871	1,208,000	193,529	1109p	-	-	0	-	100% July 2018
	2012 LTIP	241,600	-	0	241,600	-	1684p	-	-	0	-	N/A
	Bonus share scheme	15,357	-	15,357	-	-	2077p	-	-	0	-	Feb 18
	Bonus share scheme	31,884	-	15,942	-	15,942	2094p	-	-	0	-	50% Feb 18 50% Feb 18 N/A
	Bonus share scheme	-	23,840	-	-	23,840	2530p	-	-	0	-	N/A
	SAYE	903	-	-	-	903	1992p	-	-	0	-	N/A
D Jenkinson	2012 LTIP	1,209,677	-	481,957	-	1,913	620p	-	725,807	725,807	725,807	100% July 2018
	2012 LTIP	460,523	-	-	-	-	1135.5p	-	460,523	460,523	460,523	100% July 2018
	2012 LTIP	745,800	-	-	361,897	-	2102p	-	383,903	383,903	383,903	100% July 2018
	Bonus share scheme	3,979	-	3,979	-	-	2077p	-	-	0	-	Feb 18
	Bonus share scheme	11,814	-	5,907	-	-	2094p	5,907	-	5,907	-	50% Feb 18 50% Feb 19
	Bonus Share Scheme	-	8,666	-	-	-	2530p	8,666	-	8,666	-	50% Feb 19 50% Feb 20
	SAYE	903	-	-	-	-	1992p	903	-	903	-	Dec 20
M H Killoran	2012 LTIP	3,382,400	-	1,348,229	1,014,720	4,731	620p	-	1,014,720	1,014,720	1,014,720	100% July 2018
	Bonus share scheme	5,654	-	5,654	-	-	2077p	-	-	0	-	Feb 18
	Bonus share scheme	11,740	-	5,870	-	-	2094p	5,870	-	5,870	-	50% Feb 18 50% Feb 19
	Bonus Share Scheme	-	8,611	-	-	-	2530p	8,611	-	8,611	-	50% Feb 19 50% Feb 20
	SAYE	903	-	-	-	-	1992p	903	-	903	-	Dec 20

* As permitted by the rules of the Persimmon Plc 2012 Long Term Incentive Plan, on exercise, awards under the 2012 LTIP were settled as Share Appreciation Rights (SARs). Where an option price was payable, instead of requiring the participant to pay the option price, he received a number of shares which had an aggregate market value equivalent to the notional gain i.e. the amount by which the aggregate market value of the number of Shares in respect of which the award was exercised exceeded the aggregate option price of that number of Shares.

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

ANNUAL REPORT ON REMUNERATION

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Statement of Directors' shareholding requirements and share interests

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

Director	Shareholding requirement		Beneficial holdings (including interests of the Director's connected persons)	
	Value of base salary required to be held	Value of base salary held at 31 December 2018 (including shares held by connected persons but excluding vested awards which have not yet been exercised)*	31 December 2018	31 December 2017
J Fairburn	200%	5,397%	1,888,239	184,281
D Jenkinson	200%	650%	173,453	40,795
M H Killoran	200%	5,224%	1,385,248	664,925
Chairman				
R Devlin*	n/a	n/a	12,575	n/a
N H T Wrigley**	n/a	n/a	36,000	36,000
Non-Executives				
M Sears	n/a	n/a	14,350	10,000
R Kentleton	n/a	n/a	3,932	3,181
N Mills	n/a	n/a	716	716
S Litherland	n/a	n/a	–	–
Total			3,514,513	959,898

± Calculated on the closing price of £19.30 at 31 December 2018 and on base salary at 31 December 2018.

* Roger Devlin was appointed to the Board on 1 June 2018.

** Figure to 26 February 2018, the date Nicholas Wrigley resigned from the Board.

The following information is unaudited

For 2018, the Executive Directors were expected to hold shares in the Company worth 200% of base salary and were required to retain any vested share awards (net of tax) until the share ownership requirement was met. Both of the Executive Directors hold shares above this minimum share ownership requirement and are long term holders of the Company's shares. Under the changes announced in February 2018 in respect of the 2012 LTIP, extended holding periods were adopted for certain shares as set out in the table below:

Director	Date of Grant	Shares from 1st vest subject to original holding period		Shares from 2nd vest subject to extended holding period "restricted shares"	
		Number of shares	Date of release	Number	Date of release
Jeff Fairburn	17/10/2012	255,200	11/06/2019	384,144	06/07/2021
	19/04/2013	184,329	06/12/2019	20,481	06/07/2021
Total		439,529		404,625	
Mike Killoran	17/10/2012	357,280	11/06/2019	268,900*	06/07/2021
Total		357,280		268,900*	
Dave Jenkinson	26/11/2012	127,715	29/03/2019	192,338*	restricted for one year from date of exercise
	13/12/2013	39,081*	restricted for one year from date of exercise	58,623*	restricted for one year from date of exercise
	07/03/2016	26,929*	restricted for one year from date of exercise	7,725*	restricted for one year from date of exercise
Total		193,725		258,686*	

* Estimated based on current income tax and National Insurance rates, any option price currently payable and a market value of £24.60.

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

The Directors' beneficial holdings at 31 December 2018 were 3,514,513 shares, representing 1.1% of the Company's issued share capital as at that date. The Directors' beneficial holdings excluding Jeff Fairburn who left on 31 December 2018, were 1,626,274 shares on that date representing 0.5% of the Company's issued share capital. There has been no change in the interests of the current Directors between 31 December 2018 and 25 February 2019.

Total shareholder return performance

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

Graph removed

Group Chief Executive remuneration 2009 to 2018

	Chief Executive	Single total figure of remuneration £	Annual bonus paid against maximum opportunity	LTIP awards vesting against maximum opportunity
2018	J Fairburn	38,967,197	N/a	100%
2017*	J Fairburn	45,739,514	95.7%	100%
2016	J Fairburn	2,123,692	97.3%	n/a
2015	J Fairburn	1,995,213	97.3%	n/a
2014	J Fairburn	1,890,918	91.6%	n/a
2013**	M P Farley/J Fairburn	5,957,479	100%	100%
2012	M P Farley	4,989,127	100%	100%
2011	M P Farley	3,206,309	98%	88%
2010	M P Farley	1,496,320	96%	0%
2009	M P Farley	1,378,781	64%	0%

* The value of 2012 LTIP awards which vested in 2017 have been restated for Jeff Fairburn to reflect the surrender of an award in February 2018 which had vested in December 2017.

** 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.

ANNUAL REPORT ON REMUNERATION

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Group Chief Executive change in remuneration

Set out below is a comparison of the change in remuneration of the Group Chief Executive from 2017 to 2018, compared to the change in remuneration of the Group's salaried employees. The salaried employees have been selected as the most suitable comparator group as this includes junior to senior employees with the most relevant pay structure.

	Percentage change from 2017 to 2018		
	Annual salary	Bonus	Value of taxable benefits
Group Chief Executive	0%	No bonus payable for 2018	18.7%
Average of salaried employees	5.8%	-0.2%	-3.6%

Salaried staff generally received a 3% salary increase in 2018, however there were a number of promotional increases during the year. Bonus for employees is the amount paid in the year. The average bonus per salaried employee fell slightly 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 junior employees generally receive a lower percentage bonus than other employees.

Statement of voting at General Meeting

The Directors' Remuneration Policy, effective from 27 April 2017 and the Annual Report on Remuneration for 2017 were put to shareholders for approval at the 2017 AGM and 2018 AGM respectively. In the case of the 2017 AGM resolutions were passed on a show of hands and at the 2018 AGM voting was conducted on a poll. The table below summarises the proxy votes lodged for the Directors' Remuneration Policy and the result of the poll vote on the Annual Report on Remuneration for 2017.

	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of the Directors' Remuneration Policy – 27 April 2017	187,471,448	96.7	6,289,667	3.2	193,921,917	1,392,829 (representing 0.5% of the issued share capital)
Approval of the Annual Report on Remuneration – 25 April 2018	74,465,763	51.48	70,188,301	48.52	144,654,064	64,805,538 (representing 20.8% of the issued share capital)

The Remuneration Committee recognised that whilst the advisory vote on the retrospective Remuneration Report was passed by shareholders at our 2018 AGM, there was a significant vote against the 2017 Remuneration Report and a significant number of abstentions. Although the Executive Directors made significant reductions and adjustments to their 2012 LTIP awards – a scheme that was approved by shareholders in 2012 – a sizeable number of shareholders remained concerned over the level of remuneration that ultimately resulted from the vesting of these 2012 awards.

As set out earlier in this report, for 2018, in addition to the reduction and amendments the Executive Directors made to their 2012 LTIP awards in February 2018, the Executive Directors did not receive an increase to their salaries in 2018, were not entitled to an annual bonus for 2018 and did not receive an award under the 2017 PSP. The Remuneration Committee endorsed the Executives' request that an amount equivalent to the bonuses which they would have earned be distributed to staff (excluding those who participated in the 2012 LTIP and 2017 PSP).

Since his appointment to the Board on 1 June 2018 the new Chairman, Roger Devlin has met with the Company's major shareholders to discuss any views held by those shareholders, including on future remuneration.

Due to the continuing impact of the quantum of the 2012 LTIP awards on Persimmon's reputation and consequently on Jeff Fairburn's ability to continue in his role, the Board asked Jeff Fairburn to leave the Company on 31 December 2018 and the terms of his Settlement Agreement are set out on page 78.

The Remuneration Committee has listened to shareholders' views that restraint should be exercised. During 2018 the Committee amended the bonus structure, re-evaluated the metrics for the 2017 PSP and completed preparations for the implementation of the FRC's new UK Corporate Governance Code which took effect on 1 January 2019. Our future remuneration will be clearly in line with best practice.

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.

	2018 £m	2017 £m	Difference in spend £m	Difference as a percentage
Remuneration for all employees*	188.1	170.2	17.9	+10.5%
Total Capital Return Plan payments made	732.3	416.6	315.7	+75.8%

* Figures are taken from Note 7 of the accounts relating to staff and employee costs except that employer social security costs and IFRS2 Share based payment charges have been removed. 2017 data has been restated to enable comparison on a consistent basis.

Remuneration policy implementation for 2019

As set out in the Remuneration Committee Chairman's statement to shareholders on pages 71 and 72, the Committee intends for future remuneration to be clearly in line with best practice. Dave Jenkinson has agreed that there will be no change to his remuneration upon his appointment as Group Chief Executive. His remuneration did not change when he was appointed Interim Group Chief Executive.

All annual bonus and PSP awards which will be made in the future include discretion to reduce any formulaic out-turns plus updated malus and clawback provisions.

Details of the remuneration for the Executive Directors is set out below:

Executive Directors

Base salaries

The Remuneration Committee has determined that the Executive Directors will not receive an increase to their base salary for 2019.

	Base salary from 1 January 2019	Percentage increase from 2018
Dave Jenkinson	£515,000	Nil
Mike Killoran	£511,775	Nil

Annual bonus

Taking into consideration the early vesting of awards under the 2012 LTIP, the Remuneration Committee has again determined that the Executive Directors will not receive an annual bonus for the year ending 31 December 2019. Although there will be no annual bonus, the Remuneration Committee has set performance targets in the normal way. The performance targets for 2019 will be 70% financial and 30% non-financial, and the non-financial element will be split equally between a customer care measure and a build quality measure. The financial targets will be profit before tax and cash generation. The targets for customer care and quality will be a fraction of those operating businesses rated as 85% or above as measured by the Home Builders Federation survey.

The financial targets are based on figures which are commercially sensitive, but they will be disclosed in next year's Remuneration Report.

Pension and Pension Salary Supplement

Basic salary is the only component of pay which is pensionable. Executive Directors are offered the same pension benefits as the salaried employees, who make up the majority of the Group's employees, except that the level of salary supplement payable to the existing Executive Directors has been higher than that offered to salaried employees, see page 77. The Group operates a defined contribution pension scheme for its salaried employees (the defined benefit pension scheme closed to new members in 2001). Contributions to the defined contribution scheme are matched up to 9% of basic salary. Salary supplements available to the salaried workforce for employees who opt out of pension accrual due to pension tax allowance issues are a maximum of 9% of basic salary.

Mike Killoran has decided to reduce his pension salary supplement from 30% to 9% of basic salary with effect from 1 March 2019. Dave Jenkinson's salary supplement will remain at 24% of basic salary for the time being but will be reduced in line with the supplement available to salaried employees when a new remuneration package is implemented in January 2020. The Remuneration Policy approved in 2017 states that any Executive Director appointed externally after the date of the Policy will be awarded a pension or cash contribution in line with the maximum payable to the salaried workforce.

ANNUAL REPORT ON REMUNERATION

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2017 PSP Awards

The Remuneration Committee has determined that the Executive Directors will not receive Performance Share Plan awards in 2019.

Share Retention Policy

The Committee has reviewed the Executive Directors' share retention policy following publication of the UK Corporate Governance Code 2018. The new shareholding requirements are set out below and include a post cessation requirement.

	Shareholding Requirement	Post Cessation Shareholding Requirement
Executive Directors	5 x salary 4 x salary for new external appointments	At least 100% of their requirement on departure (or actual holding on departure if lower) for two years following departure

The Executive Directors are currently required to hold shares in the Company to a value of two times their basic salary. As noted on page 80 both Executive Directors currently have shareholdings in excess of these requirements. In addition, certain shares they acquire under the 2012 LTIP, must be retained for a minimum of 12 months from the date of exercise or until 6 July 2021 for Mike Killoran's "restricted" shares, whichever is the later, see table on page 80. The post cessation shareholding requirement will be introduced through making it a condition that shares acquired under future bonus share scheme or 2017 PSP awards be placed in a nominee account prior to departure.

Chairman and Non-Executive Directors' fees

Roger Devlin was appointed to the Board on 1 June 2018 and his fee on appointment was £300,000 p.a. The Committee has agreed that the Chairman's fee will not increase for 2019.

The Board as a whole determines the fees of the Non-Executive Directors. The Board has agreed that the Non-Executives' fees will not increase for 2019. The fees remain £60,000 p.a. plus £15,000 for the additional responsibilities in chairing a committee. In line with market practice, the additional fee of £15,000 will also apply to the position of Senior Independent Director.

Below Board Pay Group

In accordance with the recommendation of the UK Corporate Governance Code effective from 1 January 2019, following consultation with Dave Jenkinson, Interim Group Chief Executive, the Remuneration Committee has set the remuneration for the Regional Chairmen and for the Company Secretary ("the Below Board Pay Group").

The Remuneration Committee

The Remuneration Committee is responsible for setting the Chairman's and each Executive Director's remuneration. The Committee membership during 2018 is set out below. From 1 January 2019, the Committee is responsible for setting the remuneration of the Below Board Pay Group.

Members who served during 2018	Date of appointment to the Committee	Date of resignation
Marion Sears (Chairman)	20 February 2013	
Nicholas Wrigley	18 December 2007	26 February 2018
Roger Devlin	27 June 2018	
Nigel Mills	4 April 2016	
Simon Litherland	3 April 2017	
Rachel Kentleton	27 June 2018	

During the year, the Committee finalised the Deeds of Surrender relating to the reduction of the Executive Directors' 2012 LTIP awards, re-structured the annual bonus performance conditions, engaged with shareholders regarding the 2012 LTIP, re-evaluated the metrics for the 2017 PSP, considered Jeff Fairburn's settlement agreement and completed preparations for the implementation of the FRC's new UK Corporate Governance Code which came into effect on 1 January 2019. In particular, the Committee considered the new requirements to set remuneration for the layer of management just below board and improved procedures for taking remuneration policies and practices across the Group into account when setting the policy for Executive Director remuneration.

The Committee sought advice during the year on remuneration matters for the Executive Directors, including the terms of Jeff Fairburn's remuneration on leaving the Group, the Chairman's fee and the pay for the Below Board Pay Group from Deloitte LLP, its independent remuneration consultants. Deloitte were appointed by the Remuneration Committee in 2016 and were selected due to their expertise in executive remuneration. The Committee considers that the advice provided by Deloitte as professional remuneration consultants is objective and independent. Deloitte is a founding member of the Remuneration Consultants Group and adheres to its Code of Conduct in relation to executive remuneration consulting in the UK. Deloitte also provided advice to the Company on net settling the awards under the 2012 LTIP and on a new all employee share scheme.

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

The amount of fees the Company paid to Deloitte for the services they provided to the Remuneration Committee in 2018 was £62,418, charged on a time spent basis.

The Remuneration Committee also sought advice during 2018 from Ashurst LLP, an international law firm, regarding the vesting of awards under the 2012 LTIP and the Committee's rights thereunder with respect to the level of awards that vested, advice that materially assisted the Committee with respect to such vesting. The amount of fees paid to Ashurst LLP for the provision of that advice, which was charged on a time spent basis, was £72,776. The Committee is satisfied that the advice provided by Ashurst LLP, selected because they have acted as the Company's solicitors and being regulated by the Law Society of England and Wales, is objective and independent. Ashurst LLP also provided legal advice to the Company with respect to a range of matters, including day to day legal matters, the Annual General Meeting of the Company, compliance with legal and regulatory obligations, including under the Market Abuse Regulation and the extension of the Company's revolving credit facilities.

By order of the Board

Marion Sears
Chairman Remuneration Committee
25 February 2019



SUMMARY OF DIRECTORS' REMUNERATION POLICY

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

Executive Directors

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

To achieve the aim of this policy the remuneration of the Executive Directors is made up of different elements of fixed and variable pay, with a significant emphasis on performance related pay for achievement of stretching targets.

If challenging performance conditions attached to variable pay are achieved in full, a substantial proportion of an Executive Director's remuneration will be performance related. Overall, the Committee's policy is to ensure that the balance of performance conditions provides a good link to the Company's business strategy and continues to make the Company successful on a sustainable basis.

Remuneration policy for Executive Directors

Base salary

Purpose	How it operates	Maximum payable	Performance framework
Market competitive salaries commensurate with a Director's experience are paid to attract and retain Executive Directors with the skills necessary to lead the business and successfully implement the Company's strategy.	<p>Usually reviewed annually with any increases normally taking effect from 1 January.</p> <p>When reviewing salaries, consideration is given to current business and market conditions; any increases awarded to staff in the business generally and any change in a Director's role and experience.</p> <p>Where an Executive Director is to be promoted or where their role is to be expanded or changed, the Committee will review the salary payable and decide whether an increase/decrease is appropriate, in order that base salaries remain appropriate.</p>	<p>The Committee does not consider it appropriate to set maximum salary levels. Any future increases will generally be in line with increases applied to Group monthly paid employees (in percentage terms).</p> <p>Increases may be made either above or below that received by the wider workforce in appropriate circumstances, which may include but are not limited to, promotions, where the Committee has purposefully set a lower starting salary for a newly appointed Director, or if a Director's salary is no longer market competitive or to reflect development and performance in role or a change in the size or complexity of the role.</p> <p>Current salary levels are set out in the Annual Report on Remuneration.</p>	Although performance conditions do not apply, the individual's performance and the scope of the role are taken into account in determining the level of any salary increase.

Annual bonus			
Purpose	How it operates	Maximum payable	Performance framework
Annual bonuses are performance related. The aim is to set stretching targets which will incentivise the Executive Directors to achieve excellent performance in line with the Company's strategic objectives.	<p>Any annual bonuses earned are paid in cash up to 100% of base salary.</p> <p>To further link the Executive Director's pay to the interests of Shareholders, any bonus earned in excess of 100% of base salary is made through awards under the Company's Bonus Share Scheme (subject to a de minimis limit of £5,000).</p> <p>The Committee may adjust the bonus pay-out up or down should the formulaic outcome be considered not to reflect underlying business performance.</p> <p>Vesting of Bonus Share Scheme awards is not subject to further performance conditions, other than the Director must remain employed at the date of exercise subject to the standard good leaver or change of control provisions. Bonus Share Scheme awards vest and become exercisable in two equal tranches, on the announcement of the Company's final results for the two years immediately following the bonus year.</p> <p>A dividend equivalent is payable on Bonus Share Scheme awards that vest based on dividends and returns of cash to Shareholders with payment dates occurring between the date of grant and the date of vesting. Dividend equivalents may be paid in cash or shares and their value shall be calculated as determined by the Committee, which may assume the reinvestment of dividends into shares.</p> <p>A clawback arrangement allows for the Company to recover (for up to two years following the determination of the bonus) annual bonuses made as a result of an error or misstatement, or if a Director is guilty of gross misconduct which substantially affects the Company's financial performance or reputation.</p>	<p>The maximum annual bonus potential is 200% of base salary for the Group Chief Executive and 150% of base salary for other Executive Directors. Maximum bonus is only payable if stretching targets are met and excellent Company performance is achieved.</p>	<p>Annual bonus performance conditions are set annually by the Committee to ensure that they take into consideration the Company's strategy and the outlook for the Company over the medium term and are appropriate from a risk perspective.</p> <p>Financial metrics such as profit, and cash generation will have the majority weighting. Non-financial metrics such as customer care and health and safety, where applied, will have a minority weighting.</p> <p>Financial metrics:</p> <p>The minimum payment at threshold performance is up to 10%, up to 67% of the maximum potential will vest for on-target performance and all of the bonus will vest for maximum performance.</p> <p>Non-financial strategic or individual metrics:</p> <p>Vesting of the non-financial strategic or individual metrics will apply on a scale between 0% and 100% of that element based on the Committee's assessment of the extent to which a non-financial performance metric has been met.</p>
Pension/Salary supplement			
Purpose	How it operates	Maximum payable	Performance framework
Market competitive pension/salary supplements are offered to attract and retain Directors with the skills necessary to lead the business and successfully implement the Company's strategy.	<p>Base salary is the only component of remuneration which is pensionable. The Company operates a defined benefit (DB) pension scheme, which is closed to new members and a defined contribution (DC) scheme. Accrual in the DB scheme is based on a career average revalued earnings (CARE) basis for all active members and normal retirement age for Directors is 60 or 65, dependent on date of appointment to the Board.</p> <p>If a Director opts out of future pension accrual, a salary supplement is payable.</p>	<p>Pension accrual in the DB scheme is on a CARE basis at one-sixtieth of Pensionable Salary per year.</p> <p>The Company will match a Director's contributions into the DC scheme up to a maximum of 9% of base salary. The Committee retains the discretion to amend the contribution level should market conditions change.</p> <p>The maximum salary supplement in lieu of pension is between 9% and 30% of base salary, dependent upon the level of pension benefits given up.</p> <p>Any Executive Director appointed externally after the date of the Policy will be awarded a pension or cash contribution in line with the maximum payable to the salaried workforce.</p>	None

SUMMARY OF DIRECTORS' REMUNERATION POLICY

continued

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

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

The Persimmon 2017 PSP			
Purpose	How it operates	Maximum payable	Performance framework
<p>To provide a link between the remuneration of Executive Directors and the creation of Shareholder value by rewarding Executive Directors for the achievement of longer term objectives aligned to Shareholder interests.</p> <p>Executive Directors appointed before the 2017 AGM will only be granted awards under the 2017 PSP when their awards under the 2012 LTIP have vested.</p>	<p>Under the 2017 PSP, the Committee may grant awards as conditional shares, nil-cost options or in such other form as the Committee determines has a substantially similar economic effect or as cash settled equivalents (and share awards may be settled in cash).</p> <p>Awards vest subject to the satisfaction of performance conditions assessed over a period of not less than three years.</p> <p>Awards are granted subject to a holding period of two years following the end of the performance period, with the awards usually only released to the Executive Director (so that the Executive Director can acquire the shares subject to the award) following the end of the holding period.</p> <p>An additional payment in the form of cash or shares may be made to reflect the value of dividends which would have been paid on vested shares over such period as the Committee determines, ending no later than the date on which the award is released.</p> <p>Awards are subject to malus and clawback provisions which enable the Committee to cancel or reduce an unvested award or require repayment of a vested award for up to two years following the end of the performance period (which is effected through the cancellation or reduction of the award if it remains subject to a holding period).</p> <p>These provisions may be applied in the event of material misstatement of financial results, gross misconduct which substantially affects the Company's financial performance or reputation and error in the assessment of an award's performance condition.</p> <p>The Committee retains discretion to operate the 2017 PSP in accordance with its rules, including the ability to adjust the terms of any award to take account of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may affect the Company's share price.</p>	<p>The usual maximum award level in respect of any financial year of the Company is 200% of base salary. However, in exceptional circumstances (such as on recruitment of an Executive Director), awards may be granted in respect of any financial year of the Company at the level of up to 300% of base salary.</p>	<p>Performance conditions applying to awards under the 2017 PSP will be based on financial measures aligned to the Company's long term strategic aims.</p> <p>Awards will vest as to 25% for threshold performance, increasing to 100% for maximum performance.</p>

Share ownership guidelines

Purpose	How it operates	Maximum payable	Performance framework
To align the interests of the Executive Directors with those of Shareholders.	Executive Directors are required to retain shares under all of the Company's share schemes until the guideline is met, other than sales required to settle tax liabilities.	200% of base salary.	None

Choice of performance conditions

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

2017 PSP

The Committee's approach

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

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

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

2017 PSP

The Committee's approach

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

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

Chairman

Fees

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

SUMMARY OF DIRECTORS' REMUNERATION POLICY

continued

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

Legacy arrangements

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

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

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

External appointments

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

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

The current Directors who are listed on pages 56 and 57 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.

Dave Jenkinson
Interim Group Chief Executive
25 February 2019

Mike Killoran
Group Finance Director

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

Opinion

In our opinion:

- Persimmon Plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the group financial statements, Article 4 of the IAS Regulation.

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

Group	Parent company
Group balance sheet as at 31 December 2018	Company balance sheet as at 31 December 2018
Consolidated statement of comprehensive income for the year then ended	Company statement of changes in equity for the year then ended
Group statement of changes in shareholders' equity for the year then ended	Company cash flow statement for the year then ended
Group cash flow statement for the year then ended	Related notes 1 to 32 to the financial statements
Related notes 1 to 32 to the financial statements	

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

Basis for opinion

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

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

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the annual report (set out on pages 44 to 48) that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation (set out on pages 49 and 50) in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement (set out on page 91) in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation (set out on pages 49 to 50) in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> Revenue recognition Inventory valuation and profit recognition Valuation of shared equity receivables
Audit scope	<ul style="list-style-type: none"> We performed an audit of Persimmon plc, as a single aggregated set of financial information. Our work therefore covered 100% of Profit before tax, 100% of Revenue and 100% of Total assets. This is consistent with our approach to the prior year audit.
Materiality	<ul style="list-style-type: none"> Overall group materiality of £54.5m which represents 5% of profit before tax.

Key audit matters

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

The key audit matters are the same as those that we identified in the prior year.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition <i>Refer to Accounting policies (page 105); and Note 5 of the Consolidated Financial statements (page 109).</i> The Group has reported revenues for the year of £3,737.6m (2017 – £3,597.8m). There is potential for material misstatement within revenue, particularly in relation to revenue being recorded in the wrong period, due to cut off errors or management bias.	We performed the following procedures over this risk area: <ul style="list-style-type: none"> We performed walkthroughs to understand the key processes and identify key controls; We performed procedures using EY bespoke data analytics tools to test the appropriateness of journal entries recorded in the general ledger by correlating sales postings with cash receipts throughout the year; We tested whether revenue was recorded in the correct period by testing whether a sample of house sales recorded within 2 weeks either side of the year end had legally completed; We validated any material manual journals to assess for any evidence of management bias by corroborating to supporting documentation; and We audited management's application of the new revenue standard, IFRS 15. 	Based on our audit procedures we have concluded that revenue is appropriately recognised, and that there was no evidence of management bias.

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

continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Inventory valuation and profit recognition</p> <p><i>Refer to the Audit Committee Report (page 64); Accounting policies (page 107); and Note 17 of the Consolidated Financial Statements (pages 119 and 120).</i></p> <p>At 31 December 2018, the Inventory balance includes WIP of £881.7m (2017 – £723.9m) and Land of £2,077.2m (2017 – £2,010.6m).</p> <p>The carrying value of Inventory is determined by reference to a number of assumptions which are subject to levels of inherent estimation and therefore may be subject to management bias to over or understate inventory.</p> <p>The carrying value of Inventory is assessed by management for impairment by reference to current market inputs and assumptions.</p> <p>In performing the assessment, management undertake bi-monthly valuations to determine the expected outcome of each development and hence identify if any impairment is required.</p> <p>The same estimates are also used to determine the margin on each development which is used to determine the profit to be recognised.</p>	<p>We performed the following procedures over this risk area:</p> <ul style="list-style-type: none"> • We performed walkthroughs to understand the key processes and identify key controls; • We performed testing on the Group's controls over the bi-monthly valuation process. In testing these controls we attended a valuation meeting to observe the level of rigour and the tolerances applied by management in challenging the assumptions within the site valuations. We inspected a sample of valuation meeting minutes in respect of the valuation meetings held throughout the year to ensure that matters were appropriately considered and followed up. This included ensuring that the appropriate individuals were in attendance at the meeting together with confirming the process which is undertaken to challenge the margin, forecast costs to complete and any other factors that could impact on the margin and confirm that any updates were made to the forecasts; • For a sample of development sites based on factors such as size and risk, we compared the estimated and actual costs and margin across the development lifecycle. We validated the key drivers for changes in costs and margin and considered historical outturns in order to assess management's ability to forecast accurately; • We critically assessed the appropriateness of key assumptions and the commercial viability of sites as determined by management through comparison against historic data and consideration of current market conditions; • We tested the appropriateness of any provisions included within the calculations, comparing movements to prior periods, re-computing calculations and performing sensitivity analysis on sites where the margin was close to breakeven; and • We assessed the adequacy of the related disclosures in the Financial Statements. 	<p>Based on our audit procedures we have concluded that the Inventory balance and profit recognised in the year are not materially misstated.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of shared equity receivables <i>Refer to the Audit Committee Report (page 65); Accounting policies (page 107); and Note 16 of the Consolidated Financial Statements (page 119).</i> At 31 December 2018 the Group was carrying shared equity loan receivables on the balance sheet of £86.9m (2017 – £117.3m). This is split between non-current assets of £70.6m (2017 – £103.2m) and current assets of £16.3m (2017 – £14.1m). The carrying value of these shared equity loan receivables is based on a number of assumptions which contain inherent uncertainties and which require management judgement.	We performed the following procedures over this risk area: <ul style="list-style-type: none"> ▪ We performed walkthroughs to understand the key processes and identify key controls; ▪ We critically assessed, based on historic data and consideration of current market conditions, the appropriateness of key assumptions such as: <ul style="list-style-type: none"> ▪ Discount rate ▪ Recoverability ▪ House price inflation ▪ We performed sensitivity analysis over key assumptions; ▪ We tested a sample of recorded redemptions and agreed them to evidence of cash receipt, ensuring that the amounts had been appropriately derecognised; ▪ We tested a sample of cash receipts received in the year, and ensured that they had been appropriately recorded as redemptions; ▪ We tested the integrity and arithmetical accuracy of the calculations within management's valuation model; ▪ We audited management's application of the new financial instruments standard, IFRS 9; and ▪ We assessed the adequacy of the related disclosures in the Financial Statements. 	Based on our audit procedures we have concluded that the shared equity loan receivables are not materially misstated.

An overview of the scope of our audit

Tailoring the scope

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

This is consistent with our approach to the prior year audit.

Our application of materiality

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

Materiality

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

We determined materiality for the Group to be £54.5 million (2017: £48.3 million), which is 5% (2017: 5%) of profit before tax. We believe that profit before tax provides us with an appropriate basis for materiality and is the most relevant measure for stakeholders as it is a focus of both management and investors.

We determined materiality for the Parent Company to be £19.0 million (2017: £18.7 million), which is 1% (2017: 1%) of equity.

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

continued

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2017: 75%) of our planning materiality, namely £40.9m (2017: £36.2m). We have set performance materiality at this percentage based on our assessment of the control environment of the group and expectation of errors.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £2.7m (2017: £2.4m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report (set out on pages 2 to 91), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.

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

- **Fair, balanced and understandable (set out on page 91)** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting (set out on pages 63 to 67)** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code (set out on page 62)** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement (set out on page 91), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

continued

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations in the UK.
- We understood how the Group is complying with those frameworks by making enquiries of management, Internal Audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by meeting with management from various parts of the business to understand where it considered there was a susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved journal entry testing, with a focus on manual consolidation journals, and journals indicating large or unusual transactions based on our understanding of the business; enquiries of Group management and Internal Audit; and focused testing, as referred to in the key audit matters section above. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code 2016.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company on 14 April 2016 to audit the financial statements for the year ending 31 December 2016 and subsequent financial periods.

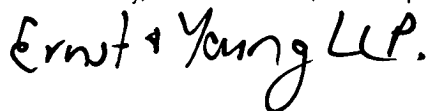
The period of total uninterrupted engagement including previous renewals and reappointments is 3 years, covering the years ending 31 December 2016 to 31 December 2018.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

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



Notes:

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 Total £m	2017 (restated – note 1) Total £m
Revenue	5	3,737.6	3,597.8
Cost of sales		(2,557.7)	(2,526.1)
Gross profit		1,179.9	1,071.7
Other operating income		5.6	9.4
Operating expenses		(102.8)	(126.0)
Profit from operations before impairment of intangible assets		1,091.9	966.1
Impairment of intangible assets	13	(9.2)	(11.0)
Profit from operations	9	1,082.7	955.1
Finance income	8	20.4	24.5
Finance costs	8	(12.3)	(13.5)
Profit before tax		1,090.8	966.1
Tax	10.1	(204.4)	(179.2)
Profit after tax (all attributable to equity holders of the parent)	12	886.4	786.9
Other comprehensive income			
Items that will not be reclassified to profit:			
Remeasurement gains on defined benefit pension schemes	27	19.7	22.1
Tax	10.2	(3.3)	(3.7)
Other comprehensive income for the year, net of tax		16.4	18.4
Total recognised income for the year		902.8	805.3
Earnings per share			
Basic	12	283.3p	255.0p
Diluted	12	280.8p	243.1p

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

Strategic report

Governance

Financial statements

Other information

BALANCE SHEETS

As at 31 December 2018

	Note	Group 2018 £m	Group (restated – note 1) 2017 £m	Company 2018 £m	Company 2017 £m
Assets					
Non-current assets					
Intangible assets	13	193.4	202.6	1.3	1.5
Property, plant and equipment	14	58.0	52.5	3.5	2.5
Investments accounted for using the equity method	15.1	3.0	3.0	–	–
Investments in subsidiaries	15.2	–	–	3,205.7	3,205.7
Shared equity loan receivables	16	70.6	103.2	–	–
Trade and other receivables	18	7.0	7.0	–	–
Deferred tax assets	22	13.4	92.0	9.7	56.8
Retirement benefit assets	27	90.6	67.7	90.6	67.7
		436.0	528.0	3,310.8	3,334.2
Current assets					
Inventories	17	3,059.5	2,825.9	–	–
Shared equity loan receivables	16	16.3	14.1	–	–
Trade and other receivables	18	91.8	86.1	1,599.3	1,334.6
Cash and cash equivalents	24	1,048.1	1,302.7	787.8	1,036.5
Current tax assets		–	–	20.2	1.9
		4,215.7	4,228.8	2,407.3	2,373.0
Total assets		4,651.7	4,756.8	5,718.1	5,707.2
Liabilities					
Non-current liabilities					
Trade and other payables	20	(270.4)	(294.1)	(0.1)	(1.5)
Deferred tax liabilities	22	(27.7)	(24.0)	(15.4)	(11.5)
Partnership liability	28	(35.2)	(38.5)	–	–
		(333.3)	(356.6)	(15.5)	(13.0)
Current liabilities					
Trade and other payables	20	(1,058.5)	(1,099.6)	(3,804.9)	(3,778.9)
Partnership liability	28	(5.4)	(5.4)	–	–
Current tax liabilities		(60.0)	(93.6)	–	–
		(1,123.9)	(1,198.6)	(3,804.9)	(3,778.9)
Total liabilities		(1,457.2)	(1,555.2)	(3,820.4)	(3,791.9)
Net assets		3,194.5	3,201.6	1,897.7	1,915.3
Equity					
Ordinary share capital issued	23	31.7	30.9	31.7	30.9
Share premium		15.5	13.5	15.5	13.5
Capital redemption reserve		236.5	236.5	236.5	236.5
Other non-distributable reserve		276.8	276.8	–	–
Retained earnings		2,634.0	2,643.9	1,614.0	1,634.4
Total equity		3,194.5	3,201.6	1,897.7	1,915.3

The profit for the year dealt with in the accounts of the Company is £878.7m (2017: £876.6m).

The financial statements of Persimmon Plc (Company number: 1818486) on pages 99 to 147 were approved by the Board of Directors on 25 February 2019 and were signed on its behalf by:

D Jenkinson
Interim Group Chief Executive

M H Killoran
Group Finance Director

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2018

Group	Share capital £m	Share premium £m	Capital redemption reserve £m	Other non-distributable reserve £m	Retained earnings £m	Total £m
Balance at 1 January 2017	30.8	10.6	236.5	276.8	2,182.7	2,737.4
Profit for the year	–	–	–	–	786.9	786.9
Other comprehensive income	–	–	–	–	18.4	18.4
Transactions with owners:						
Dividends on equity shares	–	–	–	–	(416.6)	(416.6)
Issue of new shares	0.1	2.9	–	–	–	3.0
Exercise of share options/share awards	–	–	–	–	(0.9)	(0.9)
Share-based payments	–	–	–	–	72.5	72.5
Satisfaction of share options from own shares held	–	–	–	–	0.9	0.9
Balance at 31 December 2017	30.9	13.5	236.5	276.8	2,643.9	3,201.6
Profit for the year	–	–	–	–	886.4	886.4
Other comprehensive income	–	–	–	–	16.4	16.4
Transactions with owners:						
Dividends on equity shares	–	–	–	–	(732.3)	(732.3)
Issue of new shares	0.8	2.0	–	–	–	2.8
Own shares purchased	–	–	–	–	(1.3)	(1.3)
Exercise of share options/share awards	–	–	–	–	(1.0)	(1.0)
Share-based payments	–	–	–	–	1.1	1.1
Net settlement of share-based payments	–	–	–	–	(180.2)	(180.2)
Satisfaction of share options from own shares held	–	–	–	–	1.0	1.0
Balance at 31 December 2018	31.7	15.5	236.5	276.8	2,634.0	3,194.5

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

During the year the Board decided to net settle the withholding tax obligations associated with the exercise of the Persimmon Plc 2012 Long Term Incentive Plan option. There are currently no plans to extend this decision to other share options.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2018 continued

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total £m
Company					
Balance at 1 January 2017	30.8	10.6	236.5	1,116.7	1,394.6
Profit for the year	–	–	–	876.6	876.6
Other comprehensive income	–	–	–	18.4	18.4
Transactions with owners:					
Dividends on equity shares	–	–	–	(416.6)	(416.6)
Issue of new shares	0.1	2.9	–	–	3.0
Exercise of share options/share awards	–	–	–	(0.9)	(0.9)
Share-based payments	–	–	–	39.3	39.3
Other reserve movements	–	–	–	0.9	0.9
Balance at 31 December 2017	30.9	13.5	236.5	1,634.4	1,915.3
Profit for the year	–	–	–	878.7	878.7
Other comprehensive income	–	–	–	16.4	16.4
Transactions with owners:					
Dividends on equity shares	–	–	–	(732.3)	(732.3)
Issue of new shares	0.8	2.0	–	–	2.8
Own shares purchased	–	–	–	(1.3)	(1.3)
Exercise of share options/share awards	–	–	–	(1.0)	(1.0)
Share-based payments	–	–	–	(1.7)	(1.7)
Net settlement of share-based payments	–	–	–	(180.2)	(180.2)
Other reserve movements	–	–	–	1.0	1.0
Balance at 31 December 2018	31.7	15.5	236.5	1,614.0	1,897.7

During the year the Company received dividends from wholly owned subsidiary undertakings of £885.0m (2017: £885.0m).

Retained earnings include £15.6m of non-distributable items (2017: £19.4m).

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

CASH FLOW STATEMENTS

For the year ended 31 December 2018

	Note	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Cash flows from operating activities:					
Profit for the year		886.4	786.9	878.7	876.6
Tax charge/(credit)	10.1	204.4	179.2	(2.3)	(1.9)
Finance income	8	(20.4)	(24.5)	(6.4)	(7.3)
Finance costs	8	12.3	13.5	1.4	1.4
Depreciation charge	14	10.0	8.4	0.6	0.5
Amortisation of intangible assets	13	–	–	0.2	0.3
Impairment of intangible assets	13	9.2	11.0	–	–
Share-based payment charge		7.9	18.8	7.9	18.8
Net imputed interest income		1.9	5.0	–	–
Other non-cash items		(0.2)	(1.5)	7.9	2.0
Cash inflow from operating activities		1,111.5	996.8	888.0	890.4
Movements in working capital:					
Increase in inventories		(225.5)	(176.6)	–	–
Increase in trade and other receivables		(26.7)	(20.5)	(274.1)	(82.4)
(Decrease)/increase in trade and other payables		(82.7)	131.1	6.7	(78.5)
Decrease in shared equity loan receivables		41.6	46.6	–	–
Cash generated from operations		818.2	977.4	£20.5	729.5
Interest paid		(3.9)	(3.9)	(1.6)	(1.5)
Interest received		5.8	3.4	2.6	1.1
Tax (paid)/received		(165.8)	(152.9)	22.0	10.0
Net cash inflow from operating activities		654.3	824.0	643.6	739.1
Cash flows from investing activities:					
Purchase of property, plant and equipment	14	(15.5)	(18.0)	(1.6)	(0.4)
Proceeds from sale of property, plant and equipment		0.5	0.3	–	–
Net cash outflow from investing activities		(15.0)	(17.7)	(1.6)	(0.4)
Cash flows from financing activities:					
Payment of Partnership Liability		(3.2)	(3.0)	–	–
Own shares purchased		(1.3)	–	(1.3)	–
Share options consideration		2.8	3.0	2.8	3.0
Net settlement of share-based payments		(159.9)	–	(159.9)	–
Dividends paid	11	(732.3)	(416.6)	(732.3)	(416.6)
Net cash outflow from financing activities		(893.9)	(416.6)	(890.7)	(413.6)
(Decrease)/increase in net cash and cash equivalents	24	(254.6)	389.7	(248.7)	325.1
Cash and cash equivalents at the beginning of the year		1,302.7	913.0	1,036.5	711.4
Cash and cash equivalents at the end of the year	24	1,048.1	1,302.7	787.8	1,036.5

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

The following relevant new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Annual Improvements to IFRS Standards 2014-2016 Cycle

With the exception of IFRS 15 Revenue from Contracts with Customers, the effects of the implementation of these standards have been limited to presentational and disclosure amendments.

Following the implementation of IFRS 15, Revenue from Contracts with Customers, revenues reported in the Consolidated Statement of Comprehensive Income now include the fair value of consideration received or receivable on the sale of part exchange properties, in addition to the previously reported fair value of the consideration received or receivable on the legal completion of a newly built residential property sale. IFRS 15 has been applied fully retrospectively and as a result of the change revenue and cost of sales for the year ended 31 December 2017 has been increased by £175.5m. For the current period, revenue is £191.8m higher than it would have been prior to the implementation of IFRS 15. There is no change to the reported profit from operations and there is no impact on the Group's cash flows or balance sheet.

IFRS 9 Financial Instruments came into effect on 1 January 2018 replacing IAS 39 Financial Instruments: Recognition and Measurement and requires changes to the classification and measurement of certain financial instruments from that under IAS 39. The new standard has been applied fully retrospectively and on review the majority of the Group's and Parent Company financial assets and liabilities will continue to be accounted for on an identical basis under IFRS 9 as they were under IAS 39. There is no material effect from applying IFRS 9 for expected credit losses.

The exception to this is the Group's shared equity loan portfolio. These were held under IAS 39 as Available for Sale Financial Assets. This classification is no longer available under IFRS 9 and the loans have been reclassified as Fair Value Through Profit and Loss and reported as "Shared equity loan receivables" in the Balance Sheet. The fair value of the loans is unchanged following this reclassification and there is no impact on the Profit or Loss or Balance Sheet in the current or comparative periods. In implementing this change we have more appropriately reflected the ageing of the Shared equity loan receivables and have analysed the receivable between non-current and current for the reported period end and its comparative period ends. There has been no impact on profits or cash flows in the current or previous periods as a result of this re-analysis.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions was endorsed by the EU during the year and is effective for periods commencing on or after 1 January 2018. The amendment has been applied in the period and had no impact on prior periods.

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

- IFRS 16 Leases
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- IFRIC 23 Uncertainty over Income Tax Treatments

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

IFRS 16 Leases will be effective for the Group from 1 January 2019. The key effect of this standard will be to require the Company to create a long term depreciating "right of use" asset and corresponding lease liability for leases currently classified as operating leases and charged over the lease term in accordance with the current standard IAS 17 Leases. The Group operate a number of such operating leases, principally in relation to office properties and vehicles. If IFRS 16 was applied from 1 January 2018, both fixed assets and other payables would have been increased by £10.0m at 31 December 2018. Reported profit from operations would have been £0.4m higher at £1,083.1m with reported profit before tax being unchanged at £1,090.8m.

2 Accounting policies

Statement of compliance

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

Basis of preparation

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 50. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 18 to 25 and 49 to 50 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;

2 Accounting policies continued

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 2018 the Group had cash and deposits of £1,048.1m and £300.0m of undrawn committed bank facilities available to meet future funding requirements.

At 31 December 2018, the net cash position of the Group was £1,048.1m (note 24).

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

Basis of consolidation

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

Business combinations

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

Goodwill

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

Brand intangibles

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

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

Revenue recognition

Revenue is recognised as the fair value of the consideration received or receivable on legal completion of a newly built residential property sale. Revenue also includes amounts contractually due under a development agreement at the balance sheet date relating to the stage of completion of a contract as measured by surveys of work performed to date and the fair value of the consideration received or receivable on the sale of part exchange properties.

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.

NOTES TO THE FINANCIAL STATEMENTS

continued

2 Accounting policies continued

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.

Where options are net settled in respect of withholding tax obligations, these are accounted for as equity settled transactions. Payments to HMRC are accounted for as a deduction from equity for the shares withheld, except to the extent (if any) that the payment exceeds the fair value of shares withheld, in which case the excess will be charged to the statement of comprehensive income.

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

Retirement benefit costs

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

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

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

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

Taxation

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

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

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

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

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

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

Leases as lessee

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

2 Accounting policies continued

Property, plant and equipment

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

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

Plant and equipment – 3 to 5 years.

Fixtures and fittings – 3 to 5 years.

Owned utility infrastructure – 15 to 40 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.

Shared equity loan receivables

Receivables on extended terms granted as part of a sales transaction are secured by way of a second legal charge on the respective property. The loans are classified as financial assets held at fair value through profit or loss and are carried in the balance sheet at fair value with net changes in fair value recognised in the statement of comprehensive income as described in note 16.

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.

Impairment of financial assets

The Group recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit and loss. Expected credit losses are based on the difference between the contracted cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and, in the Parent Company, intercompany receivables, the Group applies a simplified approach in calculating expected credit losses. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date.

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.

NOTES TO THE FINANCIAL STATEMENTS

continued

2 Accounting policies continued

Trade and other payables

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

Deposits

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

Cash and cash equivalents

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

Interest bearing borrowings

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

Dividends

Dividends receivable by the Parent Company 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 2018, 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.

Shared equity loan receivables

Shared equity loan receivables comprise loans granted as part of sales transactions that are secured by way of a second legal charge on the respective property. The fair value of these receivables is determined by taking 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 2018 the loan recognised on the balance sheet was £86.9m (2017: £117.3m).

3 Critical accounting judgements and key sources of estimation uncertainty continued

Goodwill

The impairment testing of goodwill is substantially dependent upon the ability of the Group to successfully progress its strategic land holdings. The assumptions on which this estimate is based may be undermined by any significant changes in the current planning regime, or adverse economic conditions in the UK. The carrying amount of goodwill at the balance sheet date was £133.4m with an impairment of £9.2m 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 2018.

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:

	2018 £m	2017 £m
Revenue from the sale of new housing	3,545.8	3,422.3
Revenue from the sale of part exchange properties	191.8	175.5
Revenue from the sale of goods as reported in the statement of comprehensive income	3,737.6	3,597.8
Other operating income	5.6	9.4
Finance income	20.4	24.5
	3,763.6	3,631.7

Sale of goods includes £202.1m (2017: £180.4m) in respect of the value of properties accepted in part exchange by the Group on the sale of new housing.

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 71 to 85. A summary of key management remuneration is as follows:

	2018 £m	2017 £m
Short-term benefits	2.8	4.5
Post-employment benefits	—	—
Share-based payments	3.0	8.2
	5.8	12.7

No termination benefits were paid to key management personnel. Total gains on exercise of options by key management in the year amount to £121.5m (2017: £0.1m).

NOTES TO THE FINANCIAL STATEMENTS

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7 Employees

Group

The average monthly number of persons (including Executive Directors) employed by the Group during the year was 4,809 (2017: 4,535).

	2018 £m	2017 £m
Staff costs (for the above persons):		
Wages and salaries	178.5	166.1
Social security costs	14.1	53.0
Pensions charge	9.6	4.1
Share-based payments	7.9	18.8
	210.1	242.0

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 234 (2017: 213).

	2018 £m	2017 £m
Staff costs (for the above persons):		
Wages and salaries	13.8	14.1
Social security costs	1.5	37.2
Pensions charge	6.5	1.3
Share-based payments	7.9	18.8
	29.7	71.4

8 Net finance income

	2018 £m	2017 £m
Recognised in profit after tax		
Interest receivable on bank deposits	3.6	1.8
Gains on shared equity loan receivables	11.2	15.2
Net interest on pension asset	1.7	1.0
Other interest receivable	3.9	6.5
Finance income	20.4	24.5
Interest expense on bank overdrafts and loans	1.0	1.0
Imputed interest on deferred land payables	9.3	10.2
Interest on Partnership liability	2.0	2.3
Finance costs	12.3	13.5
Net finance income	8.1	11.0

9 Profit from operations

	2018 £m	2017 £m
Profit from operations is stated after charging/(crediting):		
Staff costs (note 7)	210.1	242.0
Profit on sale of land holdings	(1.3)	(6.0)
Government grants	(0.2)	(0.1)
Rent receivable	(3.2)	(3.2)
Profit on sale of property, plant and equipment	(0.5)	(0.2)
Depreciation of owned assets	10.0	8.4
Impairment of intangible assets	9.2	11.0
Operating lease charges	5.2	5.0

The Group did not receive any new Government grants in either year, however the Group's customers have benefited from the availability of finance through the Government's 'Help to Buy' scheme which has provided indirect assistance to the Group.

Amounts receivable by the auditor, Ernst & Young LLP, and their associates in respect of:

	2018 £'000	2017 £'000
Audit fees		
Audit of the Parent Company and consolidated financial statements	176	149
The audit of the Company's subsidiaries pursuant to legislation	20	20
Total fees for the audit of the Company and its subsidiaries	196	169
Non-audit fees		
Audit related assurance services	48	46
Tax advisory services	–	–
Total non-audit fees	48	46
	244	215

The extent of non-audit fees and non-audit related service fees payable to Ernst & Young LLP and its affiliated entities are reviewed by the Audit Committee in the context of fees paid by the Group to its other advisors during the year. The Committee also reviews the nature and extent of non-audit services to ensure that independence is maintained.

Fees to major firms of accountants other than Ernst & Young LLP and its affiliated entities for non-audit services amounted to £123,788 (2017: £110,163).

NOTES TO THE FINANCIAL STATEMENTS

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10 Tax

10.1 Analysis of the tax charge for the year

	2018 £m	2017 £m
Tax charge comprises:		
UK corporation tax in respect of the current year	202.1	187.1
Adjustments in respect of prior years	(5.0)	(8.4)
	197.1	178.7
Deferred tax relating to origination and reversal of temporary differences	6.9	1.0
Adjustments recognised in the current year in respect of prior years deferred tax	0.4	(0.5)
	7.3	0.5
	204.4	179.2

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

	2018 £m	2017 £m
Profit from continuing operations	1,090.8	966.1
Tax calculated at UK corporation tax rate of 19.00% (2017: 19.25%)	207.3	186.0
Accounting base cost not deductible for tax purposes	0.5	–
Goodwill impairment losses that are not deductible	1.7	2.1
Expenditure not allowable for tax purposes	0.3	0.2
Effect of change in rate of corporation tax	(2.2)	(0.1)
Deferred tax written off on lapsed share-based payments	1.4	–
Adjustments in respect of prior years	(4.6)	(9.0)
Tax charge for the year recognised in profit	204.4	179.2

The Group's overall effective tax rate of 18.7% has been reduced from the mainstream rate of 19.0% by a prior year tax credit arising from the removal of some uncertainties regarding the Group's prior year tax computations.

The applicable corporation tax rate has reduced from 19.25% in the prior year to 19% in line with corporation tax rates effective from 1 April 2017. In relation to the Group's deferred tax calculations, a further corporation tax rate change enacted on 15 September 2016 effective from 1 April 2020 (17%) has been used unless timing differences are expected to reverse in 2019 or 2020.

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

	2018 £m	2017 £m
Recognised on remeasurement gains on pension schemes	3.3	3.7

10.3 Tax recognised directly in equity

	2018 £m	2017 £m
Arising on transactions with equity participants		
Current tax related to equity settled transactions	(65.0)	(6.3)
Deferred tax related to equity settled transactions (note 22)	71.7	(47.4)
	6.7	(53.7)

11 Dividends/Return of capital

	2018 £m	2017 £m
Amounts recognised as distributions to capital holders in the period:		
2016 dividend to all shareholders of 25p per share paid 2017	–	77.1
2016 dividend to all shareholders of 110p per share paid 2017	–	339.5
2017 dividend to all shareholders of 125p per share paid 2018	388.5	–
2017 dividend to all shareholders of 110p per share paid 2018	343.8	–
Total capital return	732.3	416.6

The Directors propose to return 125 pence of surplus capital to shareholders for each ordinary share held on 8 March 2019 with payment made on 29 March 2019 as an interim dividend in respect of the financial year ended 31 December 2018. The Directors propose the payment of a capital return of 110 pence per share, with payment scheduled for 2 July 2019 as a final dividend with respect to the financial year ended 31 December 2018, to shareholders for each ordinary share held on 14 June 2019. The total return to shareholders is therefore 235 pence per share (2018: 235 pence per share) in respect of the financial year ended 31 December 2018.

The Parent Company received £885.0m dividends from wholly owned subsidiary undertakings during 2018 (2017: £885.0m).

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 312.9m (2017: 308.6m).

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 315.7m (2017: 323.7m).

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

	2018	2017
Basic earnings per share	283.3p	255.0p
Underlying basic earnings per share	286.3p	258.6p
Diluted earnings per share	280.8p	243.1p
Underlying diluted earnings per share	283.7p	246.5p

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

	2018 £m	2017 £m
Underlying earnings attributable to shareholders	895.6	797.9
Goodwill impairment	(9.2)	(11.0)
Earnings attributable to shareholders	886.4	786.9

NOTES TO THE FINANCIAL STATEMENTS

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13 Intangible assets

Group	Goodwill £m	Brand £m	Know-how £m	Total £m
Cost				
At 1 January 2017, 1 January 2018 and 31 December 2018	408.8	60.0	1.9	470.7
Accumulated impairment losses/amortisation				
At 1 January 2017	255.2	–	1.9	257.1
Impairment losses for the year – utilisation of strategic land holdings	11.0	–	–	11.0
At 1 January 2018	266.2	–	1.9	268.1
Impairment losses for the year – utilisation of strategic land holdings	9.2	–	–	9.2
At 31 December 2018	275.4	–	1.9	277.3
Carrying amount				
At 31 December 2018	133.4	60.0	–	193.4
At 31 December 2017	142.6	60.0	–	202.6

Goodwill brought forward at the start of the year of £142.6m includes £117.7m (2017: £126.6m) 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 (2017: £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 -12% to +2% (2017: -3% to +1%), reflecting the potential economic uncertainties associated with the UK's withdrawal from the EU.

The retraction/growth rates in relation to the impairment review of goodwill allocated to strategic land holdings vary between -2% to +3% (2017: -4% to +2%).

After this period the growth rates applied to calculate the cash flow forecasts vary between nil and 2% (2017: 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 7% (2017: 5% and 8%) 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 £9.2m (2017: £11.0m). 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 £73.3m (2017: £80.7m) and £23.1m (2017: £24.9m) of Beazer and Westbury goodwill allocated to strategic land holdings and £37.0m (2017: £37.0m) allocated to the Charles Church brand. In addition, there is £60.0m (2017: £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 2017, 1 January 2018 and 31 December 2018	5.0
Amortisation	
At 1 January 2017	3.2
Charge for the year	0.3
At 1 January 2018	3.5
Charge for the year	0.2
At 31 December 2018	3.7
Carrying amount	
At 31 December 2018	1.3
At 31 December 2017	1.5

NOTES TO THE FINANCIAL STATEMENTS

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14 Property, plant and equipment

Group	Land and buildings £m	Plant £m	Fixtures and fittings £m	Total £m
Cost				
At 1 January 2017	29.1	69.9	14.0	113.0
Additions	6.5	9.5	2.0	18.0
Disposals	–	(1.6)	(0.4)	(2.0)
At 1 January 2018	35.6	77.8	15.6	129.0
Additions	0.9	9.8	4.8	15.5
Disposals	–	(1.7)	(0.1)	(1.8)
At 31 December 2018	36.5	85.9	20.3	142.7
Accumulated depreciation				
At 1 January 2017	4.1	54.3	11.6	70.0
Charge for the year	0.5	6.8	1.1	8.4
Disposals	–	(1.5)	(0.4)	(1.9)
At 1 January 2018	4.6	59.6	12.3	76.5
Charge for the year	0.7	7.4	1.9	10.0
Disposals	–	(1.7)	(0.1)	(1.8)
At 31 December 2018	5.3	65.3	14.1	84.7
Carrying amount				
At 31 December 2018	31.2	20.6	6.2	58.0
At 31 December 2017	31.0	18.2	3.3	52.5

At 31 December 2018, the Group had £0.1m contractual commitments for the acquisition of property, plant and equipment (2017: £0.3m).

At 31 December 2018, the Group had no assets held for sale (2017: £nil).

14 Property, plant and equipment continued

Company	Land and buildings £m	Computer equipment, fixtures and fittings £m	Total £m
Cost			
At 1 January 2017	1.9	3.6	5.5
Additions	0.1	0.3	0.4
Disposals	–	(0.3)	(0.3)
At 1 January 2018	2.0	3.6	5.6
Additions	–	1.6	1.6
Disposals	–	(0.1)	(0.1)
At 31 December 2018	2.0	5.1	7.1
Accumulated depreciation			
At 1 January 2017	0.5	2.4	2.9
Charge for the year	0.1	0.4	0.5
Disposals	–	(0.3)	(0.3)
At 1 January 2018	0.6	2.5	3.1
Charge for the year	–	0.6	0.6
Disposals	–	(0.1)	(0.1)
At 31 December 2018	0.6	3.0	3.6
Carrying amount			
At 31 December 2018	1.4	2.1	3.5
At 31 December 2017	1.4	1.1	2.5

15 Investments

15.1 Investments accounted for using the equity method

Group	Investments in joint ventures £m
Cost	
At 1 January 2017, 1 January 2018 and 31 December 2018	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.

NOTES TO THE FINANCIAL STATEMENTS

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15 Investments continued

The Group's share of assets and liabilities of joint ventures is shown below:

	2018 £m	2017 £m
Non-current assets	0.9	0.9
Current assets	6.7	6.3
Current liabilities	(4.6)	(4.2)
Net assets of joint ventures	3.0	3.0

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

	2018 £m	2017 £m
Income	3.3	3.6
Expenses	(3.3)	(3.6)
Share of results of joint ventures	–	–

15.2 Investments in subsidiaries

Company	2018 £m	2017 £m
Cost		
At 1 January 2017, 31 December 2017 and 31 December 2018	3,540.7	3,540.7
Impairment		
At 1 January 2017, 31 December 2017 and 31 December 2018	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 (2017: £nil impairment). Details of Group undertakings are set out in notes 31 and 32.

16 Shared equity loan receivables

Group	2018 £m	2017 £m
At 1 January	117.3	148.7
Settlements	(41.6)	(46.6)
Gains (Finance income)	11.2	15.2
At 31 December	86.9	117.3

All gains/losses recognised are through finance income in the statement of comprehensive income. Of the gains recognised in finance income for the period £3.0m (2017: £4.9m) was unrealised.

Shared equity loan 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 loans 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 loans 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 loan 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 expect an average maturity profile of between five and ten years from the balance sheet date.

Further disclosures relating to loans are set out in note 21.

17 Inventories

	2018 £m	2017 £m
Land	2,077.2	2,010.6
Work in progress	881.8	723.9
Part exchange properties	56.2	45.2
Showhouses	44.3	46.2
	3,059.5	2,825.9

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 2018. Our approach to this review has been consistent with that conducted at 31 December 2017. This review gave rise to a reversal of £nil (2017: £1.0m) of provision on inventories that were written down in a previous accounting period and an impairment of land and work in progress of £nil (2017: £nil). 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 2018 were £37.8m (2017: £41.9m).

The key judgements in estimating the future net realisable value of a site were the estimation of likely sales prices, house types and costs to complete the developments. Sales prices and costs to complete were estimated on a site by site basis based upon existing market conditions. If the UK housing market were to improve or deteriorate in the future then further adjustments to the carrying value of land and work in progress may be required. Following the 2018 review, £16.5m (2017: £28.3m) of inventories are valued at fair value less costs to sell rather than at historical cost.

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17 Inventories continued

Land with a carrying value of £1,079.3m (2017: £1,035.9m) was used as security for land payables (note 20).

The value of inventories expensed in 2018 and included in cost of sales was £2,477.6m (2017: £2,435.2m).

18 Trade and other receivables

	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Non-current assets				
Other receivables	7.0	7.0	–	–
Current assets				
Trade receivables	57.7	59.1	2.4	–
Other receivables	31.9	21.9	29.0	20.1
Amounts owed by Group undertakings	–	–	1,566.8	1,313.3
Prepayments and accrued income	2.2	5.1	1.1	1.2
	91.8	86.1	1,599.3	1,334.6

Trade and other receivables are non-interest bearing, and the Group applies a simplified approach in calculating expected credit losses. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Directors consider that the carrying value of trade receivables approximates to their fair value.

No allowance for expected credit losses is deemed necessary in respect of amounts owed by Group undertakings.

	2018 £m	2017 £m
Ageing of overdue but not impaired receivables		
Less than 3 months	18.0	9.6
Over 3 months	4.3	3.1
	22.3	12.7

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

	2018 £m	2017 £m
Group		
At 1 January	8.6	2.1
Impairment losses charged	0.5	6.7
Impairment losses reversed	(0.3)	(0.2)
At 31 December	8.8	8.6

19 Borrowings

Detailed disclosure of the Group's usage of financial instruments is included in note 21. There are £nil borrowings at 31 December 2018 (2017: £nil).

The contractual repayment terms of facilities are as noted below.

	Currency	Nominal interest rate	Year of maturity	2018 £m	2017 £m
Bank overdrafts	GBP	Base +1%-3.25%	2019	53.0	53.0
Syndicated loan	GBP	LIBOR +0.9%	2023	300.0	300.0
Available facilities				353.0	353.0

20 Trade and other payables

	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Non-current liabilities				
Land payables	263.2	281.8	–	–
Other payables	7.2	12.3	0.1	1.5
	270.4	294.1	0.1	1.5
	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Current liabilities				
Trade payables	238.7	241.8	0.8	1.4
Land payables	284.8	285.5	–	–
Deposits and on account contract receipts	55.2	67.9	–	–
Other payables	75.5	49.3	43.1	56.5
Accrued expenses	404.3	455.1	14.3	16.4
Amounts owed to Group undertakings	–	–	3,746.7	3,704.6
	1,058.5	1,099.6	3,804.9	3,778.9

Trade payables subject to payment terms were 14 days (2017: 16 days), based on the ratio of year end trade payables (excluding retentions and unagreed claims) to amounts invoiced during the year by trade creditors. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed terms. The Directors consider that the carrying amount of trade payables approximates to their fair value.

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

21 Financial risk management

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

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

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

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

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

Market risk

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

The Group has investments in a number of Portuguese joint ventures. These interests are not hedged. These investments are considered to be long term in nature. At 31 December 2018 the Group also holds €0.1m (2017: €1.9m) of cash related to anticipated plant purchases.

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21 Financial risk management continued

The Group has no other significant currency exposures.

The following exchange rates applied during the year:

	2018		2017	
	Average rate	Year end spot rate	Average rate	Year end spot rate
Euro	1.13	1.11	1.14	1.13

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

	2018 €m	2017 €m
Investments	3.0	3.1
Cash	0.1	1.7
Total	3.1	4.8

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 (2017: £0.5m).

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 2018 UK interest rates had been 0.5% higher/lower then the Group's pre-tax profit would have increased/decreased by £3.7m (2017: increased/decreased by £4.1m). The Group's post-tax profit would have increased/decreased by £3.0m (2017: increased/decreased by £3.3m).

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. The UK's withdrawal from the EU may have a significant impact on these factors.

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 2018, if UK house prices had been 10% higher/lower, and all other variables were held constant, the Group's house price linked financial instruments, which are solely shared equity loan receivables, would increase/decrease in value, excluding any effects of current or deferred tax, by £8.7m (2017: £11.7m).

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. Further information on the Group's liquidity forecast process is included in the Viability Statement on pages 49 and 50.

21 Financial risk management continued

The Group has entered into a number of deferred payment guarantees and performance bonds in the normal course of operations. The liabilities to which these guarantees relate are recognised and accounted for in accordance with our standard accounting policies.

Liquidity forecasts are produced on (i) a daily basis to ensure that utilisation of current facilities is optimised; (ii) a monthly basis to ensure that covenant compliance targets and medium term liquidity is maintained; and (iii) a long term projection basis for the purpose of identifying long term strategic funding requirements.

The Directors also continually assess the balance of capital and debt funding of the Group. They consider the security of capital funding against the potentially higher rates of return offered by debt financing in order to set an efficient but stable balance appropriate to the size of the Group.

The Group operates short term uncommitted overdraft facilities to meet day to day liquidity requirements. These facilities are cancellable on request from the bank; however the Group generally maintains low levels of borrowing on these in favour of more cost efficient facilities. These overdraft facilities are provided by five leading clearing banks to minimise exposure to any one lender.

The Group maintains a £300m revolving credit facility committed to March 2023. These committed facilities are sufficient to meet projected liquidity requirements to this date. Undrawn committed facilities at the reporting date amount to £300m (2017: £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 20 to 25.

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):

	2018 Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
Group						
Trade and other payables	725.7	725.7	718.5	2.3	4.9	–
Land payables	548.0	552.9	285.4	147.0	111.0	9.5
Partnership liability	40.6	50.1	5.4	5.5	16.6	22.6
Financial liabilities	1,314.3	1,328.7	1,009.3	154.8	132.5	32.1
	2017 Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
Group						
Trade and other payables	758.5	758.5	746.2	4.6	5.7	2.0
Land payables	567.3	568.8	286.3	127.0	132.9	22.6
Partnership liability	43.9	55.5	5.4	5.4	16.5	28.2
Financial liabilities	1,369.7	1,382.8	1,037.9	137.0	155.1	52.8

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continued

21 Financial risk management continued

Company	2018 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 (including intercompany balances)	3,805.0	3,805.0	3,804.9	–	0.1	–
Financial liabilities	3,805.0	3,805.0	3,804.9	–	0.1	–

It is noted that £3,746.7m (2017: £3,704.6m) 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	2017 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 (including intercompany balances)	3,780.4	3,780.4	3,778.9	0.8	0.7	–
Financial liabilities	3,780.4	3,780.4	3,778.9	0.8	0.7	–

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. 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 £0.9m requirement for a charge in relation to credit impairment in the year (2017: £0.2m).

The maximum total credit risk is as follows:

Group	2018 £m	2017 £m
Trade and other receivables	96.6	88.0
Shared equity loan receivables	86.9	117.3
Cash and cash equivalents	1,048.1	1,302.7
	1,231.6	1,508.0
Company		
Loans and receivables (including intercompany balances)	1,598.2	1,333.4
Cash and cash equivalents	787.8	1,036.5
	2,386.0	2,369.9

The maximum credit exposure of the Group to overseas parties is £0.1m (2017: under £0.1m) (Company: £nil (2017: £nil)). The Group's credit risk is widely distributed. The maximum credit risk should any single party (excepting financial institutions) fail to perform is £2.6m (2017: £7.4m) and is not yet due (Company: £939.9m (2017: £721.6m) 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 £224.6m (2017: £243.2m).

21 Financial risk management continued

Fair value

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

Group	2018		2017	
	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m
Trade and other receivables	96.6	96.6	88.0	88.0
Shared equity loan receivables	86.9	86.9	117.3	117.3
Cash and cash equivalents	1,048.1	1,048.1	1,302.7	1,302.7
Trade and other payables	(725.7)	(725.7)	(758.5)	(758.5)
Land payables	(548.0)	(548.0)	(567.3)	(567.3)
Partnership liability	(40.6)	(41.7)	(45.5)	(43.9)
	(82.7)	(83.4)	136.7	138.3

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

Company	2018		2017	
	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m
Trade and other receivables (including intercompany balances)	1,598.2	1,598.2	1,333.4	1,333.4
Cash and cash equivalents	787.8	787.8	1,036.5	1,036.5
Trade and other payables (including intercompany balances)	(3,805.0)	(3,805.0)	(3,780.4)	(3,780.4)
	(1,419.0)	(1,419.0)	(1,410.5)	(1,410.5)

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

Financial assets and liabilities by category:

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Financial assets designated fair value through profit and loss	86.9	117.3	–	–
Trade and other receivables	96.6	88.0	1,598.2	1,333.4
Cash and cash equivalents	1,048.1	1,302.7	787.8	1,036.5
Financial liabilities at amortised cost	(1,314.3)	(1,369.7)	(3,805.0)	(3,780.4)
	(82.7)	138.3	(1,419.0)	(1,410.5)

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

Group	2018 Level 3 £m	2017 Level 3 £m
Shared equity loan receivables	86.9	117.3

NOTES TO THE FINANCIAL STATEMENTS

continued

21 Financial risk management continued

Shared equity loan receivables

Shared equity loan receivables represent loans advanced to customers and secured by way of a second charge on their new home. They are carried at fair value. The fair value is determined by reference to the rates at which they could be exchanged by knowledgeable and willing parties. Fair value is determined by discounting forecast cash flows for the residual period of the contract by a risk adjusted rate.

There exists an element of uncertainty over the precise final valuation and timing of cash flows arising from these loans. As a result the Group has applied inputs based on current market conditions and the Group's historic experience of actual cash flows resulting from such arrangements. These inputs are by nature estimates and as such the fair value has been classified as level 3 under the fair value hierarchy laid out in IFRS 13 Fair Value Measurement.

Significant unobservable inputs into the fair value measurement calculation include regional house price movements based on the Group's actual experience of regional house pricing and management forecasts of future movements, weighted average duration of the loans from inception to settlement of ten years (2017: ten years) and discount rate 9% (2017: 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 shared equity loans are secured. Adjustments to this input, which might result from a change in the wider property market, would have a proportional impact upon the fair value of the loan. Furthermore, whilst not easily 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 shared equity loan receivables 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	Other temporary differences £m	Total £m
At 1 January 2017		1.7	(4.0)	36.9	(10.2)	0.4	24.8
Credit/(charge) to profit and loss	10.1	0.2	(3.8)	2.9	–	0.2	(0.5)
Charge to other comprehensive income	10.2	–	(3.7)	–	–	–	(3.7)
Amounts taken directly to equity	10.3	–	–	47.4	–	–	47.4
At 1 January 2018		1.9	(11.5)	87.2	(10.2)	0.6	68.0
Credit/(charge) to profit and loss	10.1	0.1	(0.6)	(6.4)	–	(0.4)	(7.3)
Charge to other comprehensive income	10.2	–	(3.3)	–	–	–	(3.3)
Amounts taken directly to equity	10.3	–	–	(71.7)	–	–	(71.7)
At 31 December 2018		2.0	(15.4)	9.1	(10.2)	0.2	(14.3)

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:

	2018 £m	2017 £m
Share-based payments	9.1	87.2
Other items, including accelerated capital allowances	4.3	4.8
Deferred tax assets	13.4	92.0
Brands	(10.2)	(10.2)
Other items, including accelerated capital allowances	(17.5)	(13.8)
Deferred tax liabilities	(27.7)	(24.0)
Net deferred tax asset	(14.3)	68.0

22 Deferred tax continued

The Group has recognised deferred tax liabilities of £15.4m (2017: liabilities of £11.5m) on retirement benefit assets of £90.6m (2017: assets of £67.7m).

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 2017	0.2	(4.0)	36.9	2.8	35.9
(Charge)/credit to profit and loss	(0.1)	(3.8)	2.9	(1.0)	(2.0)
Charge to other comprehensive income	–	(3.7)	–	–	(3.7)
Amounts taken directly to equity	–	–	15.1	–	15.1
At 1 January 2018	0.1	(11.5)	54.9	1.8	45.3
Credit to profit and loss	–	(0.6)	(6.4)	(0.5)	(7.5)
Charge to other comprehensive income	–	(3.3)	–	–	(3.3)
Amounts taken directly to equity	–	–	(40.2)	–	(40.2)
At 31 December 2018	0.1	(15.4)	8.3	1.3	(5.7)

No deferred tax assets and liabilities have been offset (2017: £nil).

23 Share capital

	2018 £m	2017 £m
Allotted, called up and fully paid		
317,560,061 (2017: 308,856,430) ordinary shares of 10p each	31.7	30.9

The Company has one class of ordinary shares which carry no right to fixed income. All issued shares are fully paid. During the year 8,703,631 ordinary shares (2017: 358,021) were issued in satisfaction of share option exercises.

The Company has established an Employee Benefit Trust to hold shares for participants of the Company's various share schemes. The Trustee is Persimmon (Share Scheme Trustees) Limited, a subsidiary company. During 2018, the Trustee transferred 8,247,432 shares to employees. At 31 December 2018 the trust held 411,467 shares (2017: 46,926) on which dividends have been waived. The market value of these shares at 31 December 2018 was £7,941,313 (2017: £1,284,834).

Own shares

Own shares held at cost are reconciled as follows:

	Group £m
Balance at 31 December 2017	0.6
Own shares purchased	1.3
Disposed of on exercise/vesting to employees	(0.8)
Balance at 31 December 2018	1.1

NOTES TO THE FINANCIAL STATEMENTS

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

Group	2018 £m	2017 £m
(Decrease)/increase in net cash and cash equivalents in cash flow	(254.6)	389.7
Net cash at 1 January	1,302.7	913.0
Net cash at 31 December	1,048.1	1,302.7

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 £307m (2017: £280m), and confirm that the possibility of cash outflow is considered minimal and no provision is required.

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

The Company has entered into guarantees of certain financial liabilities of related undertakings as detailed in note 31.

26 Operating leases

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

Group as lessee	2018 £m	2017 £m
Expiring within one year	2.9	2.2
Expiring in the second to fifth years inclusive	5.7	5.8
Expiring after five years	3.4	4.3
	12.0	12.3
Company as lessee		
Expiring within one year	0.2	–
Expiring in the second to fifth years inclusive	0.2	0.4
	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 1.4 years to expiry (2017: 1.7 years). Property leases have an average term of 6.4 years to expiry (2017: 7.4 years).

27 Retirement benefit assets

As at 31 December 2018 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 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 £2.3m (2017: £1.8m) 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 revalued 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 revalued 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 2017 and as at 31 March 2015 for the Prowting Scheme. The next funding valuations will be as at 1 January 2020 for the Persimmon Scheme and will be as at 31 March 2018 for the Prowting Scheme (which is in progress). Subsequent valuations will be at intervals of no more than three years thereafter. Following each valuation, the Trustees and the Company must agree the contributions required (if any) to ensure the Pension Schemes are fully funded over time on a suitable prudent measure. Contributions agreed in this manner constitute a minimum funding requirement.

Given the current strength of the Persimmon Scheme's funding (due to recent cash contributions made to the Persimmon Scheme) no deficit contributions are required for that scheme. However payments equivalent to £2.2m p.a. are required for the Prowting Scheme for the period to 31 December 2019. In both cases salary related contributions for active members are also payable.

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

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

Both Pension Schemes are in a strong funding position. The Group remains committed to the continuity of this position and will review future contribution levels in the event of any significant deficit arising.

The Pension Schemes investment strategy is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the members as they fall due. The Pension Schemes do not invest directly in complex financial instruments, though there may be limited indirect investment through investment funds.

NOTES TO THE FINANCIAL STATEMENTS

continued

27 Retirement benefit assets continued

Regulation

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

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

The Pensions Regulator has sweeping powers including the powers:

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

Risks associated with the Pension Schemes

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

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

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

Net Pension Asset

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

	2018 £m	2017 £m
Fair value of Pension Scheme assets	616.8	649.1
Present value of funded obligations	(526.2)	(581.4)
Net pension asset	90.6	67.7

A deferred tax liability totalling £15.4m (2017: liability of £11.5m) has been recognised on the balance sheet in relation to the net pension asset.

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

	2018 £m	2017 £m
As at 1 January	67.7	23.3
Total gain recognised in the period	13.0	20.1
Company contributions paid in the period	9.9	24.3
Net pension asset	90.6	67.7

27 Retirement benefit assets continued

The Company does not present valuations of its own separate assets and liabilities under the Pension Schemes as the entire net assets of the Pension Schemes are included in the Company balance sheet, as ultimate scheme sponsor.

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

	2018 £m	2017 £m
Current service cost	2.0	2.3
Past service cost	5.5	–
Administrative expense	0.9	0.7
Pension cost recognised as operating expense	8.4	3.0
Interest cost	14.2	15.9
Return on assets recorded as interest	(15.9)	(16.9)
Pension cost recognised as net finance credit	(1.7)	(1.0)
Total defined benefit pension cost recognised in profit or loss	6.7	2.0
Remeasurement gains recognised in other comprehensive income	(19.7)	(22.1)
Total defined benefit scheme gain recognised	(13.0)	(20.1)

The past service cost recognised in the period is an estimate of the impact of recent legal rulings regarding Guaranteed Minimum Pension equalisation (GMP).

Assets

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

	2018 £m	2017 £m
Equity		
– UK	89.4	129.8
– US	47.7	80.1
– Eurozone	36.7	40.4
– Other	24.8	30.4
Bonds		
– Government	130.8	121.0
– sub-investment grade	139.9	119.2
Asset backed funding	41.7	45.5
Diversified Growth Fund	71.7	57.7
Cash	34.1	25.0
Total	616.8	649.1

All assets have a quoted market value in an active market, with the exception of Asset backed funding of £41.7m (2017: £45.5m), which related to secured cash flows.

The Persimmon Scheme holds 93% (2017: 93%) of the gross assets of the Pension Schemes and 95% (2017: 94%) of the gross liabilities. The remainder relates to the Prowting Scheme. The Pension Schemes do not engage in investments in complex financial assets such as Insurance Contracts or Longevity Derivatives.

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

	2018 £m	2017 £m
As at 1 January	649.1	605.6
Return on assets recorded as interest	15.9	16.9
Remeasurement (losses)/gains on assets	(28.8)	27.2
Contributions	9.9	24.3
Benefits and expenses paid	(29.3)	(24.9)
As at 31 December	616.8	649.1

NOTES TO THE FINANCIAL STATEMENTS

continued

27 Retirement benefit assets continued

Defined Benefit Obligation

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

	2018 % p.a.	2017 % p.a.
Discount rate	2.9	2.5
General pay increases	3.2	3.2
RPI Inflation assumption	3.2	3.2
CPI Inflation assumption	2.1	2.1

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

	2018 Years	2017 Years
Male current pensioner	22.7	23.1
Male future pensioner	23.5	24.0

The defined benefit obligation includes benefits for current employees, former employees and current pensioners.

The following table provides an analysis of the defined benefit obligation by membership category.

	2018 £m	2017 £m
Total value of current employees' benefits	44.8	50.2
Deferred members' benefits	221.2	248.1
Pensioner members' benefits	260.2	283.1
Total defined benefit obligation	526.2	581.4

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:

	2018 £m	2017 £m
As at 1 January	(581.4)	(582.3)
Current service cost	(2.0)	(2.3)
Past service cost	(5.5)	–
Interest cost	(14.2)	(15.9)
Remeasurement gains/(losses) on liabilities	48.5	(5.1)
Benefits paid	28.4	24.2
As at 31 December	(526.2)	(581.4)

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.

	2018 £m	2017 £m
Present value of defined benefit obligation (DBO)	526.2	581.4
– DBO following a 0.25% decrease in the discount rate	548.7	607.2
– DBO following a 0.25% increase in the discount rate	505.1	557.2
– DBO following a 0.25% decrease in the inflation assumption	513.2	566.6
– DBO following a 0.25% increase in the inflation assumption	539.7	597.1
– DBO following a 1 year decrease to life expectancy	504.6	558.4
– DBO following a 1 year increase to life expectancy	547.5	604.4

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

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

Persimmon Scottish Pension Trustees Limited, a wholly owned Group subsidiary, is general partner in Persimmon Scottish Limited Partnership ('the Partnership'). Persimmon Pension Trustees Limited, the Trustee of the Persimmon Plc Pension & Life Assurance Scheme ('the Persimmon Scheme') is a limited partner. 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. The interest has been classified as a financial liability and is accounted for on an amortised cost basis. During the year the Group has made payments in relation to the Partnership liability (including interest) totalling £5.4m (2017: £5.4m).

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

The Partnership is the beneficial owner of a bond secured on a proportion of the Group's shared equity loan receivables and guaranteed by Persimmon Plc, which will support the Partnership investment return to the Persimmon Scheme.

29 Share-based payments

The Group operates a number of share option schemes, the details of which are provided below. All schemes were equity settled, however during the year the Board decided to net settle the withholding tax in relation to the Persimmon Plc 2012 Long Term Incentive Plan. Payments made or due in association with the withholding tax have been accounted for as a deduction from equity. These amounts totalled £180.2m (2017: £nil). There are currently no plans to net settle other option schemes.

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 the return of cash to shareholders between 2017 and 2019 for options granted in 2017 under the Persimmon Plc 2017 Performance Share Plan, and upon TSR relative to a peer group, customer care performance and return of cash to shareholders for options granted in 2018 under the Persimmon Plc 2017 Performance Share Plan.

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

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

Group and Company	2018 Savings-Related Share Option Scheme		2017 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	824,719	1,628.8	954,092	1,312.0
Granted during the year	270,956	1,888.0	296,295	1,992.0
Forfeited during the year	(119,085)	1,725.1	(139,561)	(1,426.2)
Exercised during the year	(145,658)	1,343.4	(286,107)	(1,047.4)
Outstanding at the end of the year	830,932	1,749.5	824,719	1,628.8
Exercisable at the end of the year	61,241	1,683.4	89,289	1,136.5

NOTES TO THE FINANCIAL STATEMENTS

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29 Share-based payments continued

Group and Company	2018	2017
	Bonus Share Scheme	Bonus Share Scheme
	Number of shares under option	Number of shares under option
Outstanding at the beginning of the year	80,428	76,006
Granted during the year	41,117	55,438
Forfeited during the year	(39,782)	–
Exercised during the year	(52,709)	(51,016)
Outstanding at the end of the year	29,054	80,428
Exercisable at the end of the year	–	–

Group and Company	2018	2017
	Long Term Incentive Plan 2007 Non HMRC Approved	Long Term Incentive Plan 2007 Non HMRC Approved
	Number of shares under option	Number of shares under option
Outstanding at the beginning of the year	6,643	8,860
Exercised during the year	–	(2,217)
Outstanding at the end of the year	6,643	6,643
Exercisable at the end of the year	6,643	6,643

Group and Company	2018		2017	
	Long Term Incentive Plan 2007 HMRC Approved		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	3,320	451.8	3,320	451.8
Outstanding at the end of the year	3,320	451.8	3,320	451.8
Exercisable at the end of the year	3,320	451.8	3,320	451.8

Group and Company	2018	2017
	Long Term Incentive Plan 2012*	Long Term Incentive Plan 2012*
	Number of shares under option	Number of shares under option
Outstanding at the beginning of the year	23,278,855	23,824,934
Forfeited/waived during the year	(3,022,088)	(476,382)
Exercised during the year	(17,222,910)	(69,697)
Outstanding at the end of the year	3,033,857	23,278,855
Exercisable at the end of the year	3,033,857	9,311,503

* 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 post grant date.

29 Share-based payments continued

Group and Company	2018 2017 Performance Share Plan	2017 2017 Performance Share Plan
	Number of shares under option	Number of shares under option
Outstanding at the beginning of the year	82,288	–
Granted during the year	117,561	83,210
Forfeited during the year	(8,614)	(922)
Outstanding at the end of the year	191,235	82,288
Exercisable at the end of the year	–	–

The weighted average share price at the date of exercise for share options exercised during the period was 2,472.8p (2017: 2,383.5p). The options outstanding at 31 December 2018 had a range of exercise prices from nil to 1,992.0p and a weighted average remaining contractual life of 2.7 years (2017: 3.9 years).

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

Option Valuation Assumptions	PSP 2018 Tranche 1	SAYE 2018
Grant date	2 October 2018	17 October 2018
Risk free interest rate	0.82%	0.96%
Exercise price	Nil	£18.88
Share price at date of grant	£23.07	£21.98
Expected dividend yield*	0%	5.41%
Expected life	2.4 years	3.1 years
Holding period	2.0 years	N/A
Date of vesting	February 2021	December 2021
Expected volatility	23%	24%
Fair value of option	£17.19	£1.30

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

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

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

In 2018, the Group recognised total expenses before tax of £7.9m (2017: £18.8m) 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 2018 the total credit recognised in relation to equity settled share-based payments was £10.9m (2017: £56.6m) of which £8.9m (2017: £21.7m) 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 71 to 85. There is no difference between transactions with key management personnel of the Company and the Group.

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.

NOTES TO THE FINANCIAL STATEMENTS

continued

30 Related party transactions continued

During the year these recharges amounted to:

	2018 £m	2017 £m
Interest charges on intra-group funding	(38.2)	(16.8)
Group services recharges	53.1	51.1
	14.9	34.3

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 2018 totalled £1,566.8m (2017: £1,313.3m). Amounts owed to subsidiary undertakings by the Company at 31 December 2018 totalled £3,746.7m (2017: £3,704.6m).

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 2018 is £41.7m (2017: £45.5m).

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 2018 was £nil (2017: £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 2018 was £nil (2017: £nil).

The Company has suffered £nil expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2017: £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 2018. All of these companies are registered in England. All voting rights are held by companies within the Group. A full list of subsidiary undertakings and jointly controlled entities can be found in note 32.

Major subsidiary undertakings

Persimmon Homes Limited ^o	Charles Church Developments Limited ^Δ	
Persimmon Holdings Limited*	Persimmon Shared Equity Limited**	Persimmon Scottish Limited Partnership***

^o The shares of this company are held by Persimmon Holdings Limited and Persimmon Plc.

^Δ The shares of this company are held by Persimmon Holdings Limited.

* The shares of this company are held by Persimmon Finance Limited and Persimmon Plc.

** The shares of this company are held by Persimmon Plc.

*** This entity is controlled by Persimmon Scottish Pension Trustees Limited (see note 28).

32 Details of all subsidiary undertakings

Persimmon Group subsidiary companies

The following companies, included in these consolidated accounts, are wholly owned by the Persimmon Group and are incorporated in the UK unless otherwise stated. Persimmon Plc or its subsidiary companies also hold all of the voting rights unless otherwise stated. The Registered Office for each company is Persimmon House, Fulford, York, YO19 4FE unless otherwise stated.

Name of undertaking	Description of shares held	Name of undertaking	Description of shares held	Name of undertaking	Description of shares held
@Home Limited	Ordinary* and 3.5% Preference*	Beazer Homes Cardiff Limited	Deferred* and A 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*.
A.E.A Prowling Limited	Ordinary*	Beazer Homes Doncaster Limited	Deferred* and A Ordinary*	Charles Church Housing Limited	Ordinary*
A Monk & Company Developments (S.W.) Limited	Ordinary* and Deferred*	Beazer Homes Edinburgh Limited ¹	Deferred* and A Ordinary*	Charles Church Investment Properties Limited	Ordinary*
Alford Brothers Limited	Ordinary*	Beazer Homes Glasgow Limited ¹	Deferred* and A Ordinary*	Charles Church Kent Limited	Ordinary*
Anjok 157 Limited	Ordinary*	Beazer Homes Limited	Ordinary*, Deferred* and A Ordinary*	Charles Church Limited	Ordinary*
Anjok 171 Limited ¹	Ordinary*	Beazer Homes Nottingham Limited	Ordinary*	Charles Church London Limited	Ordinary*
Anjok 172 Limited	Ordinary*	Beazer Homes Reigate Limited	Ordinary*	Charles Church Management Limited	Ordinary*
Anjok 173 Limited	Ordinary*	Beazer Homes Stockport Limited	Deferred* and A Ordinary*	Charles Church Partnership Homes Limited	Ordinary*
Anjok 269 Limited ¹	Ordinary* and Deferred*	Beazer Homes Yateley Limited	Deferred* and A Ordinary*	Charles Church Residential Developments Limited	Ordinary*
Anjok 28 Limited	Ordinary* and 8% Preference*	Beazer London Limited	Ordinary*	Charles Church South East Limited	Ordinary*
Anjok 31 Limited	Ordinary*	Beazer Partnership Homes (Scotland) Limited ¹	Ordinary*	Charles Church Southern Limited	Ordinary*
Anjok Five (1996) Limited	Ordinary*	Beazer Partnership Homes Midlands Limited	Ordinary*	Charles Church Thames Valley Limited	Ordinary*
Anjok Holdings Limited	Ordinary* and Deferred*	Beazer Swaffham Limited	Ordinary*	Charles Church Trading Limited	Ordinary*
Anjok Investments Limited	Ordinary*	Beazer Urban Developments (Anglia) Limited	Deferred* and A Ordinary*	Charles Church Village Heritage plc	Ordinary*
Anjok Twenty Limited ¹	A Ordinary* and B Ordinary*	Beazer Urban Developments (Bedford) Limited	Ordinary*	Coatglade Limited	Ordinary*
Anjok Two Limited	Ordinary*	Beazer Urban Developments (East Midlands) Limited	Ordinary*	Comben Group Limited	A Deferred Ordinary, B Deferred Ordinary and Ordinary
Aria Homes Limited	A Ordinary* and B Ordinary*	Beazer Urban Developments (South West) Limited	Ordinary*	Cresswellshaw Properties Limited	Ordinary* and 3.5% Preference*
Arthur S Nixon and Company	1% Non-Cumulative Preference* and Ordinary*	Beazer Western Engineering Services Limited	Ordinary*	Crowther Homes (Darlington) Limited	Ordinary*
Aspect Homes Limited	Ordinary*	Belsco 1020 Limited ¹	Ordinary*	Crowther Homes (Midland) Limited	Ordinary*
Atlantis One Limited	Ordinary* and Preference*	Breakblock Limited	Ordinary*	Crowther Homes (Nat W) Limited	Ordinary*
Beazer Group Limited	Ordinary*	Broomco (3385) Limited	Ordinary*	Crowther Homes (Yarm) Limited	Ordinary*
Beazer Homes (Anglia) Limited	Deferred* and A Ordinary*	Bruce Fletcher (Leicester) Limited	Ordinary*	Crowther Homes Limited	Ordinary*
Beazer Homes (Barry) Limited	Ordinary*	Charles Church Civil Engineering Limited	Ordinary*	D Dunk (Builders) Limited	Ordinary*
Beazer Homes (FLE) Limited	A Ordinary* and B Ordinary*	Charles Church Developments Limited	Ordinary*	D R Dunthorn & Son Limited	Deferred*, Deferred* and Ordinary*
Beazer Homes (FNLHS) Limited	Ordinary*	Charles Church Essex Limited	Ordinary*	Datblygwyr Dorothea Limited (94% of nominal value owned)	Ordinary*
Beazer Homes (South Wales) Limited	Ordinary*	Charles Church Estates Limited	Ordinary*	Delany Brothers (Housebuilders) Limited	Ordinary* and Preference*
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*				

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32 Details of all subsidiary undertakings continued

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

32 Details of all subsidiary undertakings continued

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

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32 Details of all subsidiary undertakings continued

Name of undertaking	Description of shares held
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.

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

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

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

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

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

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

7 135 Aztec West, Bristol, BS12 4UB

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

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

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

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

12 3 Bell Lane, Gibraltar

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

14 Temple House, 20 Holywell Row, London, England, EC2A 4XH, United Kingdom

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

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

The Registered Office of each RMC is Persimmon House, Fulford, York, YO19 4FE (unless otherwise stated).

Company Name

Abbey Green (Amesbury) Management Company Limited
Abbeyvale Taunton Management Company Limited
Ackton Pastures (Castleford) Management Company Limited
Acorn Place Management Limited
Agusta Park Flats Yeovil Management Company Limited
Agusta Park Yeovil Management Company Limited
Akron Gate Management Limited ¹
Aldenharn Road (Bushey) Management Company Limited
Allt Y Celyn (Rhos) Management Company Limited
Amberwood (Carlisle) Management Company Limited
Amblehurst Green (Billingshurst) Management Company Ltd ²
Amherst Hill (Brompton) Management Company Limited
Appledore Grove Management Company Limited
Archery Fields Management Company Limited ¹
Arisdale (Phase 2) Residents Management Company Limited
Attlee Way (Sittingbourne) Residents Management Company Limited
Augusta Park (Dinnington) Management Company Limited
Aurora (Portishead) Management Company Limited
Aveley Village (Aveley) Residents Management Company Limited
Aveley Village (Thurrock) Management Company Limited
Avery Fields (Birmingham) Management Company Limited
Avon Fields (Durrington) Management Company Limited
Awel Y Coed Management Company Limited
Aykley Woods (Durham) Management Company Limited
Aylesham Village Phase 1b (Aylesham) Residents Management Company Limited
Badbury Park (Swindon) Management Company Limited
Badbury Park (Swindon) No 2 Management Company Limited

Company Name

Banister Court (Southampton) Management Company Limited
Bannerbrook Management Company Limited
Barber Court (Birmingham) Management Company Limited
Barley Fields (Alton) Management Company Limited
Barrington Park Management Company Limited ³
Beauchamp Grange (Caister) Residents 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
Bell Lane (Little Chalfont) Management Company Limited
Bellaport Gardens (Harrington) Management Company Limited
Bishops Grove (Lamphey) Management Company Limited
Bishops Mead (Downton) Management Company Limited
Blossom Meadows (Buttershaw) Management Company Limited
Bluebell Gardens (Morley) Management Company Limited
Bluebell Meadow (Bradwell) Management Company Limited
Boulton Moor (Derby) Management Company Limited
Boyton Place (Haverhill) Residents Management Company
Brackenleigh (Carlisle) Management Company Limited
Bramble Rise (Hetton) Management Company Limited
Bramblewood (Old Basing) Residents Management Company Limited
Branshaw Park (Keighley) Management Company Ltd
Brazen Plain (Norwich) Management Company Limited
Bridgefield (Ashford) Management Company Limited
Bridgefield Nine Management Company Limited
Brislington House Management Company Limited
Brook Chase (Waterlooville) Management Company Limited
Brook View (Blackburn) Management Company Limited
Brookfield (Golborne) Management Company Limited
Bugbrooke Road (Kislingbury) Management Company Limited
Burfield Park (Witham St Hughs) Residents Management Company Limited
Burfield Valley Estate Management Limited ⁴
Buttercup Leys (Boulton Moor) Residential Management Company Limited
Buzzard Meadows (Leighton Buzzard) Residents Management Company Limited
Calder Grange (Dewsbury) Management Company Limited
Canalside (Burton Upon Trent) Residential Management Company Limited
Canonbury Rise (Berkeley) Management Company Limited
Cardea 14 (Stanground) Residents Management Company Limited
Cardea 3d Enterprise (Stanground) Residents Management Company Limited ⁵

NOTES TO THE FINANCIAL STATEMENTS

continued

32 Details of all subsidiary undertakings continued

Company Name	Company Name
Carleton Meadows Management Company Limited	Cross Quays Phase 2 (Thanet) Residents Management Company Limited
Castle Green (Shotton) Management Company Limited	Cumnor Hill Management Company Limited
Castle Hill (Cottingham) Management Company Limited	Cwrt Y Llwyfen (Johnstown) Management Company Limited
Castlemead (Persimmon 950) Town Trowbridge Limited	Daisy Hill (Morley) Management Company Limited
Castlemead (Persimmon 953) Management Company Limited	Dallow Place (Luton) Management Company Limited
Castlemead (Persimmon 964) Town Trowbridge Limited	Dan Y Bryn Management Company Limited
Castleton Court (Haverfordwest) Management Company Limited	Deerwood Park (Colne) Management Company Limited
Cathedral Gate (Salisbury) No.1 Management Company Limited	Dol Yr Ysgol (Bridgend) Management Company Limited
Cathedral Gate (Salisbury) No.2 Management Company Limited	Downs View (Swanley) Residents Management Company Limited
Cathedral View (Durham) Management Company Limited	Dukes Meadow (Tangmere) Management Company Limited
Cedar Place (Haywood Village) Management Company Limited	D'urton Heights (Preston) Management Company Limited
Century Rise (Emersons Green) Management Company Limited	Dyffryn Management Limited
Chancery Fields (Chorley) Management Company Limited	Earlesmead (Framingham Earl) Residents Management Company Limited
Charlton Place (Keynsham) Management Company Limited	East Benton Rise (Benton) Management Company Limited
Chilmark Glade Management Company Limited	East Gate House (Machynys East) Management Company Limited ⁸
Chorley G1 Management Company Limited ⁸	Eastside Quarter, Maelfa (Cardiff) RMC Ltd
Church Lane (Deal) Residents Management Company Limited	Eden Grange (Peterlee) Management Company Limited
Clarence Place (Bracknell) Residents Management Company Limited	Elkas Rise (Ilkeston) Management Company Limited
Clootley Crescent Management Company Limited	Ellesmere Park (Management Co) Ellesmere Port ³
Clos Ty Gwyn (Hendy) Management Company Limited	Ellis Mews (Micheldever) Management Company Limited
Clover Chase (Lingwood) Residents Management Company Limited	Emerald Gardens (Yapton) Management Company Limited
Cloverfields (Carlisle) Management Company Limited	Emily Fields (Swansea) Management Company Limited
Coastal Dunes (Lytham St Annes) Management Company Limited	Eton Place (Bracknell) Management Company Limited
Coed Darcy (Llandarcy) Management Company Limited	Eve Park (Falmouth) Management Company Limited
Colonial Wharf (Chatham) Residents Management Company Limited	Eversfield (Uckfield) Management Company Limited
Copperfield Place (Chelmsford) Residents Management Company Limited	Fair Mile Rise (Blandford St Mary) Management Company Limited
Copperfield Truro Management Company Limited	Fairmoor (Morpeth) Management Company Limited
Coquet Grange (Amble) Management Company Limited	Fairways (Retford) Management Company Limited
Corelli Sherborne Management Company Limited	Farley Fields South Petherton Management Company Limited
Coton Park (Rugby) Management Company Limited	Feethams Green (Darlington) Management Company Limited
Cotswold Vale (Long Marston) Management Company Limited	Foley Gardens (Newent) Residential Management Company Limited
Cranborne Heights Management Company Limited	Folly Grove (Hockley) Residents Management Company Limited
Crawshay Bailey Close Limited ⁷	Forgewood (Crawley) Management Company Ltd ⁴
Crofton Walk (Fair Oak) Management Company Limited	Friarwood Park (Pontefract) Management Company Limited
Cromwell Gardens (Huntingdon) Residents Management Company Limited	Fulbeck Avenue (West Durrington) Management Company Ltd ⁹
Cromwell Place (Little Dunmow) Residents Management Company Limited	Gales Park Management Company Limited
Crosland Road (Lindley) Management Limited	Garden Valley (Aylesham) Residents Management Company Limited ⁴
Cross Quays (Westwood) Management Company Limited	George Ward Gardens (Melksham) Management Company Limited

32 Details of all subsidiary undertakings continued

Company Name

Germany Beck (Fulford) Management Company Limited
Glan Yr Afon (Swansea) Management Company Limited
Golwg Y Mynydd (Mountain Ash) RMC Limited
Gotherington Grange Resident Management Company Limited
Grangewood Park (Burnham on Crouch) Residents Management Company Limited
Grays Court (Orpington) Residents Management Company Limited
Great Western Park (Didcot) No 1 Management Company Limited
Great Western Park (Didcot) No 2 Management Company Limited
Great Western Park (Didcot) No 3 Management Company Limited
Great Woodcote Park Exeter Management Company Limited
Greenacres (Compton) Management Company Limited
Greenacres (Diss) Management Company Limited
Greenacres (Easington) Management Company Limited
Greenfield Court (Newport) Limited
Greenfields (Narberth) Management Company Limited
Grove Street (Raunds) Residents Management Company Limited
Hailes Wood (Elsenham) Residents Management Company Limited
Hambledon Mill (Accrington) Management Company Limited
Hamilton Gate (Frinton) Residents Management Company Limited
Hamlet Crescent (Little Walden) Residents Management Company Limited
Hampton Lucy Management Company Limited
Hampton Park (Littlehampton) Residents Management Company Limited
Hampton Park (Stanway) Residents Management Company Limited
Hansons Reach (Stewartby) Residents Management Company Limited
Hanwell Chase (Banbury) Residents Management Company Limited
Harbourside View (Portchester) Management Company Limited
Harbury Lane (Warwick) Management Company Limited
Harlow Fields (Mackworth) Residential Management Company Limited
Harlow Hill Grange (Harrogate) Management Company Limited
Harrington Road (Desborough) Management Company Limited
Harrow View West (Harrow) Residents Management Company Limited
Hartcliffe Meadows (Penistone) Management Company Limited
Hartnells Farm Management Company Limited
Harvest Gate (Totton) Management Company Limited
Hastings Place (Bentley) Management Company Limited
Hatchwood Mill (Winnersh) Management Company Limited
Hathern Road (Shepshed) Management Company Limited ¹⁰
Haven Village Management Limited*

Company Name

Hawthorn Chase (Aston Clinton) Residents Management Company Limited
Haywood Heights (Writhlington) Management Company Limited
Hazelmere (Flockton) Management Company Limited
Heathfield Gardens (Phase 7) Management Company Limited
Heathpark Wood (Windlesham) 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 Green (Newbottle) Management Company Limited ¹¹
Heritage Park (Shinfield) Residents Management Company Limited
Heritage Park (Sutton Courtenay) Residents Management Company Limited
Herne Vale Ilminster Management Company Limited
Highcliffe View (Guisborough) Management Company Limited
Hill Barton Vale Exeter Management Company Limited
Hill Barton Vale Flats Exeter Management Company Limited
Holdingham Grange (Sleaford) Residents Management Company Limited
Holmewood (Littleport) Management Company Limited
Horsbere Mews (Longford) Management Company Limited
Horseshoe Meadows (Westbury) Management Company Limited
HRC (Ware) Residents Management Company Limited
Hunters Gate (One) Management Company Limited
Hunts Pond Road (No 2) Management Company Limited
Hunts Pond Road Management Company Limited
Hydro (St Neots) Number One Management Company Limited
Imperial Park (Bristol) Management Company Limited
Ingleby (Barwick) Management Company Limited
Iwade Meadows (Iwade) Management Company Limited
Iwade Meadows (Yalding Apartments Plots 74-79) Management Company Limited
Jasmine Gardens (Residential Management Company) Limited
Jasmine Gardens Management Company Limited
Kendall Heights Management Company Limited
Kennedy Place (Ulverston) Management Company Limited
Kings Grove Cranbrook Management Company Limited
Kingsbridge Court (Gorseinon) Management Company Limited
Kingsbridge Fields Management Company Limited

NOTES TO THE FINANCIAL STATEMENTS

continued

32 Details of all subsidiary undertakings continued

Company Name

Kingsbury Gardens (St Albans) Residents Management Company Limited
Kingsbury Meadows (Wakefield) Management Company Limited
Kingsmead (Gloucester) Management Company Limited
Knights Court (Old Sarum) Management Company Limited
Knightswood Place (Rainham) Residents Management Company Limited
Knoll Lane (Ashford) Management Company Limited
Kynghshouton (Houghton Regis) Residents Management Company Limited
Ladgate Woods (Middlesbrough) Management Company Limited
Lakeside Edge (Peterborough) Residents Management Company Limited
Lauder Mews Crediton Management Company Limited
Launds Field (Galgate) Management Company Limited
Laureate Heights Sidmouth Management Company Limited
Laxton Gardens (Oundle) Residents Management Company Limited
Lime Tree Court Derby Management Company Limited
Limes Place (Upper Harbledown) Residents Management Company Limited
Lindale Park (Alverthorpe) Management Company Limited
Lindley Moor Meadows (Huddersfield) Management Company Limited
Lingfield Court Management Limited* ²¹
Lingfield Meadows (Houghton) Management Company Limited
Llys Meredith (Swansea) Management Company Limited
Longbridge Place (Longbridge) Management Company Limited
Longleaze Management Company Limited
Low Moor Meadows (Morley) Management Company Limited
Low Street (Sherburn in Elmet) Management Company Limited ¹¹
Lowen Bre Truro Management Company Limited
Lyne Hill Penkridge Management Company Limited ¹
Lythalls Lane (Coventry) Management Company Limited
Lythalls Place (Coventry) Management Company Limited
Maes Dyfed Management Company Limited
Maes Y Parc (Cross Hands) Management Co Ltd
Maiden Vale (Ryhope) Management Company Limited
Manor Farm (Doncaster) Management Company Limited
Manor Park (Appleby Magna) Management Company Limited
Manor Place (Maidenhead) Residents Management Company Limited
Maple Oak (Alton) Management Company Limited ⁸
Marbourne Chase (Lane End) Management Company Limited
Mariners Walk (Swansea) Apartment Management Company Limited*
Mariners Walk (Swansea) Management Company Limited*

Company Name

Marshfoot Lane (Hailsham) Residents Management Company Limited
Martello Park (Pembroke) Management Company Limited
Martineau Gardens Harborne Management Company Ltd ¹²
Mayfields (South Kirkby) Management Company Limited
Mayflower Gardens (Burbage) Residents Management Company Limited
Meadow Grove Management Limited ¹
Meadow Rise (Lydney) Management Limited
Meadow View (Oundle) Management Company Limited
Meadow View (Redditch) Resident Management Company Limited
Meadowbrook Gardens (Ossett) Management Company Limited
Medstead Farm (Four Marks) Management Company Limited
Merchants Walk Cullompton No 2 Management Company Limited
Mercians Place Management Company Limited
Mersey View (Bromborough Pool) Management Company Ltd ¹³
Mill Valley (Pevensey) Residents Management Company Limited
Mill View (Willingdon) Management Company Limited
Millennium Farm (New Waltham) Management Company Limited
Millers Croft (Edenbridge) Management Company Limited
Moat House Fields (Marston Green) Management Limited ¹
Monarchs Chase (Fulwood) Management Company Limited
Monfort Place (Odiham) Management Company Limited ⁹
Montague Park (Residents) Management Company Limited ¹⁴
Moorfield Way (Wilberfoss) Management Company Limited
Morewood Close (Sevenoaks) Management Company Limited
Mount Pleasant (Hatfield) Management Company Limited
Mulberry Grange (Castleford) Management Company Limited
Mulberry Grove (St Fagans Cardiff) Management Company Limited
Neave Place Phase II (Romford) Management Company Limited
Nelson's Park (North Walsham) Residents Management Company Limited
Newcastle Great Park (Estates) Limited* ¹⁵
Newlands Park (Dearham) Management Company Limited
NGP Management Company (Cell E) Limited* ¹⁵
NGP Management Company (Cell F) Limited* ¹⁵
NGP Management Company (Commercial) Limited* ¹⁵
NGP Management Company (Town Centre) Limited* ¹⁵
NGP Management Company Residential (Cell C) Limited* ¹⁵
NGP Management Company Residential (Cell G) Limited* ¹⁵
Nightingale Gardens (NR1 and NR3) Residents Management Company Limited

32 Details of all subsidiary undertakings continued

Company Name

Oak Heights (Northiam) Residents Management Company Limited ⁴
Oakland Gardens (Willthorpe) Management Company Limited
Oakley Grange and Eden Villas (Cheltenham) Management Company Limited
Oakwood Farm (Sevenoaks) Management Company Limited
Oakwood Meadows (Colchester) Residents Management Company Limited
Oakwood Park (Wymondham) Residents Management Company Limited
Oakwood View (Brackla) Management Company Limited
Oakwood View (Weston-Super-Mare) Management Company Limited
Oast Court Farm (East Malling) Management Company Limited ¹⁶
Old Road (Churwell) Management Company Limited
Old School Drive (Wheathampstead) Management Company Limited
Orchard Croft (Diss) Residents Management Company
Orchards Grove (Coxheath) Residents Management Company Limited
Oxley Park (Scissett) Management Company Limited
Oxley Springs (Milton Keynes) Management Company Limited
Oxley Springs 8b (Milton Keynes) Management Company Limited
Paddocks 21 (Andover) Management Company Limited
Palmerston Heights Plymouth Management Company Limited
Paragon Park (Coventry) Management Company Limited
Parc Brynderi (Llanelli) Management Company Limited
Parklands (Maidstone) Management Company Limited
Parkside (Cosham) Management Company Limited
Parrett Gardens (Langport) Management Company Limited
Pavilion Gardens (Monkton Heathfield) Management Company Limited
Pear Tree Gardens (Bamber Bridge) Management Company Limited ¹³
Pembridge Court (Clethorpe) Residents Management Company Limited
Peninsula (Machynys) Management Company Limited ⁸
Penny Pot Lane (Harrogate) Management Company Limited
Penrose Place Sidmouth Management Company Limited
Persimmon Gardens (Martham) Residents Management Company Limited
Persimmon Grange (Framlingham) Management Company Limited
Persimmon Homes The Oaks (Selly Oak) Management Company Limited
Phoenix Park (Dunstable) Residents Management Company Limited
Phoenix Place (North Hykeham) Management Company Limited
Picket 20 Management Company Limited
Picket Twenty Two (Andover) Management Company Limited
Pipstrelle Drive (Market Bosworth) Management Company Limited
Portland Park (Ashington) Management Company Limited

Company Name

Potters Wynd (Durham) Management Company Limited
Priory Park (Marcham) Management Company Limited
Quantum (Grays) Management Company Limited
Quinta Mews Management Company Limited ¹⁷
Radstone Road (Brackley) Management Company Limited
Rainton Meadows (Chilton Moor) Management Company Limited ¹¹
Ramsdell (Ashford Hill) Management Company Ltd
Readers Retreat (Hay-on-Wye) Residents Management Company Limited
Rectory Lane (Standish) Management Company Limited
Regency Gardens (Wath) Management Company Limited
Regent Park (Calne Phase 1) Management Company Limited
Regents Place (Chellaston) Management Company Limited
Renaissance 2 (Cambridge) Management Company Limited
Repton 8 - 10 (Ashford) Residents Management Company Limited
Repton Park 18 (Ashford) Residents Management Company Limited
Repton Park 19-23 (Ashford) Residents Management Company Limited
Ringley Road (Horsham) Residents Management Company Limited
Rivendell (Gedling) Management Company Limited
Riverbourne Fields Management Company Limited
Rooley Park (Bradford) Management Company Limited
Roseberry Park (Pelton) Management Company Limited
Rounton Place (Watford) Management Company Ltd
Rowan Fields Management Company Limited
Salterns (Torrington) Residents Management Company Limited
Saltram Meadow Plymouth Management Company Limited
Sandfield Walk (Nottingham) Management Company Limited
Sandgate Drive (Kippax) Management Company Limited
Sandpipers (Minster) Residents Management Company Limited
Saxon Gate (Chelmsford) Management Company Limited
Scalford Road Melton Management Company Limited
Scholars Gate (Royston) Management Company Limited
Scholars Mews (Newark) Phase 2 Residents Management Company Limited
Scholars Rise (Stokenchurch) Management Company Limited ⁶
Scholars Walk (Melksham) Management Company Limited
Scotts Place (Bromley) Residents Management Company Limited
Seaside Lane (Easington) Management Company Limited
Seaview Apartments (Machynys) Management Company Limited
Sharpes Meadow (Heybridge) Residents Management Company Limited

NOTES TO THE FINANCIAL STATEMENTS

continued

32 Details of all subsidiary undertakings continued

Company Name

Sherborne Fields (Basingstoke) Management Company Limited
Sherborne Fields Apartments Ph3 (Basingstoke) Management Limited
Sherborne Fields Apartments Ph6 (Basingstoke) Management Limited
Shilton Place (Coventry) Management Company Ltd ¹⁸
Shirewood (Beighton Road) Management Company Limited
Silver Hill (Preston) Management Company Limited
Solway View (Workington) Management Company Limited
South Shore Phase 2 (Blyth) Management Company Limited
Sovereign Fields (Bracknell H16) Management Company Limited ¹⁹
Sovereign Grange (Kings Cliffe) Management Limited
Sovereign Quarter (Gillingham) Management Company Limited
Speckled Wood (Carlisle) Management Company Limited
St Andrews (Uxbridge) Management Company Limited
St Andrews Park (Phase 3c Uxbridge) Management Company Limited
St Andrews Park (Vine Lane 1a) Management Company Limited
St Andrews Park (Vine Lane 1b North) Management Company Limited
St Andrews Park (Vine Lane 2a) Management Company Limited
St Andrews Park 2b 3a (Churchill Road, Uxbridge) Management Company Limited
St Andrews Park 3b (Uxbridge) Management Company Limited
St Andrews Ridge (Swindon) Management Company Limited
St Dunstons Place (Burbage) Management Company Limited
St Edeyrns Apartments (Cardiff) RMC Limited
St Edeyrns Village (Cardiff) Residents Management Company Limited
St Edmunds (Frome Phase 1 Ph & CC) Management Company Limited
St George (Lancaster) Management Company Limited
St Gregorys (Swarcliffe) Management Company Limited
St James Park (Bramley) Management Company Limited
St Johns Wood (North Baddesley) Management Company Limited
St Oswalds Park (Gloucester) Management Company Limited
St Peters Place (Salisbury) Management Company Limited
Stanbridge Meadows (Petersfield) Management Company Limited
Stortford Fields (Bishops Stortford) (Persimmon) Resident Management Company Limited
Strawberry Fields Penryn Management Company Limited
Stream View Management Company Limited ¹⁷
Sunningdale Park (Thornton) Management Company Limited
Sycamore Gardens (Oakdale) RMC Ltd
Sycamore Rise (Thame) Residents Management Company Limited

Company Name

Tarraby View (Carlisle) Management Company Limited
Teasdale Place (Carlisle) Management Company Limited
The Acorns (Shirley) Management Company Limited
The Alders (Gilwern) Residents Management Company Limited
The Boulevards (East Tilbury) Residents Management Company Limited
The Boulevards (Newport) Residents Management Company Limited
The Bridge (Dartford) 29 and 31a Residents Management Company Limited
The Carriages (Burscough) Management Company Limited
The Collection (St Neots) Management Limited
The Cottons (Holmes Chapel) Management Company Limited
The Crescent FP Management Company Limited
The Croft (Burgess Hill) Residents Management Company Limited
The Edge (Hempstead) Management Limited
The Fairway (Scunthorpe) Management Company Limited ¹¹
The Fell (Lyde Green) Management Company Limited
The Gateway (Colchester) Residents Management Company
The Goldings Newquay Management Company Limited
The Grange (Chalfont St Peter) Management Company Ltd
The Grange (Chepstow) Limited
The Grange (Swindon) Management Company Limited
The Grange (Wellesbourne) Management Company Limited
The Haven (Swansea) Management Company Limited
The Hedgerows (Alsager) Management Company Ltd
The Hedgerows (Thurcroft) Management Company Limited ¹³
The Heights (Newark) Residents Management Company Limited
The Lancasters (Cambridge) Residents Management Company Limited
The Links (Machynys East) Management Company Limited ⁸
The Links (Seascale) Management Company Limited
The Maltings (Shaftesbury) Management Company Limited
The Maltings (Shaftesbury) No 2 Management Company Limited
The Middles (Stanley) Management Company Limited
The Mile (Pocklington) Management Company Limited
The Oaks (Selly Oak) Management Company Limited ¹²
The Orchard (Elsenham) Management Company Limited
The Orchard Brompton Farm (Strood) Residents Management Company Limited
The Oval (Selly Oak) Management Company Ltd ¹²
The Paddocks (Enstone) Management Company Limited
The Paddocks (Farcet) Residents Management Company Limited

32 Details of all subsidiary undertakings continued

Company Name

The Paddocks (Highworth) Management Company Limited ³
The Paddocks (Aintree) Management Company Limited ³
The Pastures (Lowton) Management Company Limited
The Pinnacles Management Company (Thamesmead) Limited
The Poppies (Harleston) Management Company Limited
The Poppies Management Company Limited
The Priory (Llandough) Residents Management Company Limited
The Propella's (Kings Hill) Management Company Limited
The Reeds Lower Halstow Management Company Limited ¹⁷
The Rydons Exeter Number Two Management Company Limited
The Village, Aveley Phase II Residents Management Company Limited
The Weald (Easingwold) Management Company Limited
The Whinmoor (Leeds) Management Company Limited ¹³
The Willows Earlestown (Newton le Willows) Management Company Ltd ¹³
The Windmills (Kirtton) Residents Management Company Limited
Thornley Woods (Gateshead) Management Company Limited
Tilbury Fields (Oxford) Management Company Limited ⁶
Towcester Grange (Towcester) Residents Management Company Limited
Trevethan Meadows Liskeard Management Company Limited
Tudor Park (Saffron Walden) Management Company Limited
Tundra Point (Emersons Green) Management Company Limited
Tutors Gate (Aylesbury) Management Company Limited ⁶
Urban Central (Grays) Residents Management Company Limited
Urpeth Green (Ouston) Management Company Limited
Valley Heights (Frome) Management Company Limited
Village Mews (Southowram) Management Company Limited
Walmsley Park (Leigh) Management Company Ltd ³
Watercress Way Management Company Limited ¹⁷
Waterfield Place (Market Harborough) Residential Management Company Limited
Waters Edge (Buckshaw) Management Company Limited
Waters Edge (Wimborne) Management Company Limited
Waterside at The Bridge Management Company Limited
Watling Place (Newington) Residents Management Company Limited
Weavers Meadow Estates Management Company Limited

Company Name

Weavers View (Pleasley Hill) Residents Management Company Limited
Weavers Wharf Apartments (Coventry) Management Company Limited
Wellington Gate (Grove) Management Company Limited
Wellington Gate (Maresfield) Management Company Limited
Wellswood Park (Reading) Residents Management Company Limited
Wentworth Green Management Company Limited
West Gate House (Machynys East) Management Company Ltd ⁸
West Wick Management Company Limited ²⁰
Westgate (Llanfoist) Management Company Limited
Westhaven Apartments (Barry) Residents Management Company Limited
Weston Park Limited
Westvale Park (Horley) Management Company Ltd ²
Westwood Park (Churwell) Management Company Limited
White Rose Park (Norwich) Residents Management Company Ltd
Whiteford Mews Management Company Limited
Whitewood Park (Bristol) Management Company Limited
Whittington Walk (Worcester) Management Company Limited ¹⁰
Willow Court (Abergavenny) RMC Limited
Willow Park (Aylsham) Management Company Limited
Windmill View (Stanground) Residents Management Company Limited
Wombwell (Barnsley) Management Company Limited
Woodbridge House Management Company Limited
Woodland Gardens (Pyle) Management Company Limited
Woodland Rise (Great Cornard) Residents Management Company Limited
Yew Tree Farm (Droitwich) Management Company Limited
Ysgol Maes Dyfan (Barry) Residents Management Company Limited

* Private Limited Company

- 1 North Point, Stafford Drive, Battlefield Enterprise Park, Shrewsbury, Shropshire, SY1 3BF
- 2 Homer House, 8 Homer Road, Solihull, West Midlands, B91 3QQ
- 3 Unit 7 Portal Business Park, Eaton Lane, Tarporley, Cheshire, CW6 9DL
- 4 94 Park Lane, Croydon, Surrey, CR0 1JB
- 5 Broughton Grange Business Centre, Headlands, Kettering, NN15 6XA
- 6 RMG House, Essex Road, Hoddesdon, Hertfordshire, EN11 0DR
- 7 23/24 Market Place, Reading, RG1 2DE
- 8 Fisher House, 84 Fisherton Street, Salisbury, Wiltshire, SP2 7QY
- 9 The Maltings, Hyde Hall Farm, Sandon, Hertfordshire, SG9 0RU
- 10 Whittington Hall, Whittington Road, Worcester, Worcestershire, WR5 2ZX
- 11 4335 Park Approach, Thorpe Park, Leeds, LS15 8GB

- 12 11 Little Park Farm Road, Fareham, PO15 5SN
- 13 Gateway House, 10 Coopers Way, Southend on Sea, Essex, SS2 5TE
- 14 20 King Street, London, EC2V 8EG
- 15 3rd Floor Citygate, St. James' Boulevard, Newcastle Upon Tyne, NE1 4JE
- 16 One, Sherman Road, Bromley, Kent, BR1 3JH
- 17 Scholars House, 60 College Road, Maidstone, Kent, ME15 6SJ
- 18 1st Floor Lancaster House, 67 Newhall Street, Birmingham, B3 1NQ
- 19 Victoria House, 178 - 180 Fleet Road, Fleet, Hampshire, GU51 4DA
- 20 135 Aztec West, Bristol, BS32 4UB
- 21 White House, Wollaton Street, Nottingham, Nottinghamshire, NG1 5GF

SHAREHOLDER INFORMATION

Analysis of shareholding at 31 December 2018

Size of shareholding	Number of shareholders	% of shareholders	Number of shares	% of shares
1 – 5,000	8,517	86.63	5,501,302	1.73
5,001 – 50,000	852	8.67	14,693,709	4.63
50,001 – 250,000	264	2.68	31,034,407	9.77
250,001 and over	199	2.02	266,330,643	83.87
Total	9,832	100.00	317,560,061	100.00

Share price – year ended 31 December 2018

Price at 31 December 2018	£19.30
Lowest for year	£18.595
Highest for year	£28.80

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

Financial Calendar 2019

Ex-Dividend Date of 125p interim dividend	7 March 2019
Record Date of 125p interim dividend	8 March 2019
Payment of interim dividend of 125p	29 March 2019
Annual General Meeting	1 May 2019
Trading Update	1 May 2019
Ex-Dividend Date of 110p final dividend	13 June 2019
Record Date of 110p final dividend	14 June 2019
Payment of final dividend of 110p	2 July 2019
Trading Update	4 July 2019
Announcement of Half Year Results	20 August 2019
Trading Update	7 November 2019

Five Year Record

	2018	2017	2016	2015	2014
Unit sales	16,449	16,043	15,171	14,572	13,509
Housing revenue	£3,545.8m	£3,422.3m	£3,136.8m	£2,901.7m	£2,573.9m
Average selling price	£215,563	£213,321	£206,765	£199,127	£190,533
Profit from operations	£1,091.9m	£966.1m	£778.5m	£634.5m	£473.3m
Profit before tax	£1,100.0m	£977.1m	£782.8m	£637.8m	£475.0m
Basic earnings per share	286.3p	258.6p	205.6p	173.0p	124.5p
Diluted earnings per share	283.7p	246.5p	199.5p	169.1p	124.3p
Cash return/dividend per share	235.0p	235.0p	135.0p	110.0p	95.0p
Net assets per share	1,006.0p	1,036.6p	887.3p	800.7p	715.4p
Total shareholders' equity	£3,194.5m	£3,201.6m	£2,737.4m	£2,455.8m	£2,192.6m
Return on capital employed	52.8%	51.5%	39.4%	32.1%	24.6%

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

Directors**Roger Devlin**

Chairman

Dave Jenkinson

Group Chief Executive

Mike Killoran

Group Finance Director

Nigel Mills

Senior Independent Director

Marion Sears

Non-Executive Director

Rachel Kentleton

Non-Executive Director

Simon Litherland

Non-Executive Director

Life President

Duncan Davidson founded Persimmon in 1972. The Company floated on the London Stock Exchange in 1985 and became the first pure housebuilder to enter the FTSE 100 in December 2005. Mr Davidson retired as Chairman in April 2006 and assumed the role of Life President.

Company information**Company Secretary**

Tracy Davison

Registered office

Persimmon House
Fulford, York YO19 4FE
Telephone (01904) 642199

Company number

1818486
Incorporated in England

Auditor

Ernst & Young LLP

Bankers

The Royal Bank of Scotland plc
Lloyds Banking Group plc
Barclays Bank PLC
HSBC plc
Santander UK plc

Financial Advisor/Corporate Broker

Merrill Lynch International

Brokers

Citigroup Global Markets Limited

Financial PR Consultants

Citigate Dewe Rogerson
3 London Wall Buildings
London Wall
EC2M 5SY
Telephone (020) 7638 9571

Registrars

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Through protecting standing forests, under threat of clearance, carbon is locked in that would otherwise be released. These protected forests are then able to continue absorbing carbon from the atmosphere, referred to as REDD (Reduced Emissions from Deforestation and forest Degradation). This is now recognised as one of the most cost-effective and swiftest ways to arrest the rise in atmospheric CO₂ and global warming effects. Additional to the carbon benefits is the flora and fauna this land preserves, including a number of species identified at risk of extinction on the IUCN Red List of Threatened Species.

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