PERSIMMON
Together, we make a home

Persimmon plc today announces Final Results for the year ended 31 December 2014.

Highlights

- Underlying profit before tax* increased by 44% to £475m (2013: £330m)
- Full year revenue up 23% to £2.6bn (2013: £2.1bn)
- Legal completions increased by 17% to 13,509 (2013: 11,528) and average selling price increased by 5.3% to £190,533 (2013: £180,941)
- Underlying operating margin* increased to 18.4% (2013: 16.0%); with second half improvement to 19.0%
- Return on average capital employed* increased by 40% to 24.6% (2013: 17.6%)
- A further 26,822 plots of land acquired in the year, with 9,386 plots successfully converted from the Group's strategic land portfolio
- Underlying basic earnings per share* increased by 49% to 124.5p (2013: 83.3p)
- Generated total net free cash inflow (before capital return) of £388m (2013: £231m)
- Net cash of £378m at 31 December 2014 (2013: £204m cash)
- Forward sales**^** at over £1.49bn (2013: £1.42bn), an increase of 5%

* stated before exceptional items and goodwill impairment
^ as at 23 February 2015

Capital Return Plan

- Returned £442m to shareholders to date
- Second instalment of 70p per share paid 4 July 2014, significantly accelerated from its planned payment in 2021
- Combination of particularly strong trading in 2014 and robust capital discipline have enabled a further acceleration of the Capital Return Plan
- 95p payment due 6 July 2015 brought forward to 2 April

Nicholas Wrigley, Group Chairman, said:

"Persimmon delivered a strong and well balanced performance in 2014.

"We have undertaken disciplined investment to support sustainable growth in volume, increasing the number of completions by 17% in the year, bringing the increase in the number of new Persimmon homes completed over the last two years to 36%.

"We have had an encouraging start to 2015 and experienced a solid opening period to the spring season with current total forward sales of £1,490m, 5% ahead of the previous year. Despite some uncertainty arising from the General Election in May, the ongoing gradual improvement in the UK economy and increasing mortgage lender support provides a supportive backdrop for the new homes market."

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Analysts unable to attend in person may listen to the presentation live at 09:30am by using the details below:

Telephone number: +44 (0) 20 3427 1919

Password: Persimmon

Webcast link: http://edge.media-server.com/m/p/7ojmzmwn

An archived version of today's webcast analyst presentation will be available on www.corporate.persimmonhomes.com this afternoon.

CHAIRMAN'S STATEMENT

"Creating value through growth and capital returns"

Results

The Group has delivered a strong and well balanced all round performance for the year ended 31 December 2014. Further improvements in lending by the major mortgage providers and the continued attraction of the Government's Help to Buy scheme helped increase access to the housing market during the period. Customer confidence in our regional markets across the country has been supported by the ongoing recovery in the UK's economic performance.

The Group increased the number of new homes legally completed in 2014 by 17% to 13,509 (2013: 11,528), bringing the increase in the volume of new homes brought to market by Persimmon over the last two years to 36%. The growth of the business is a fundamental element of the Group's long term strategy which is to build a stronger, larger business. This growth has been achieved by opening new outlets immediately on resolving planning requirements and actively managing build programmes to secure improved rates of new home construction on every development site.

Revenues for 2014 totalled £2.6bn, 23% ahead of the prior year (2013: £2.1bn). As the year progressed we experienced a gradual improvement in underlying selling prices across the country which accounted for around half of the overall headline increase in average selling price of 5.3% to £190,533 for the year (2013: £180,941).

As expected, the market returned to a more traditional seasonal trading pattern in the second half of 2014. Activity levels in the spring had been particularly strong. Mortgage lenders' support for Help to Buy, together with robust customer interest resulted in a significant uplift in customer enquiries. We experienced a return to more balanced market conditions in the autumn allowing us to not only increase 2014 revenues by 23% year on year, but also to increase the value of the Group's forward order book at 31 December 2014 by 7% to £973m (2013: £908m). This placed the business in a particularly strong position for the new year.

We remain focused on optimising shareholder returns in line with our long term strategic plan. The Group strives to maximise the value of each and every new home sold whilst controlling development costs to deliver the best gross margin from each site. Underlying gross margins* increased by 200 basis points year on year to 22.2% (2013: 20.2%). This improvement in profitability results from the combination of reduced land recoveries from the 360 new sites we have opened over the last two years, strong control over development costs, and improved efficiencies from increased build productivity and overhead recoveries.

Underlying operating margin* for the year of 18.4% is 240 basis points ahead of the prior year (2013: 16.0%). The 17% increase in new homes legally completed, combined with modest investment in operating overhead, improved the Group's operating efficiency and added 40 basis points to the Group's operating margin. We are particularly pleased with the continued progress in the second half of the year with underlying operating margin reaching 19.0%, being 130 basis points stronger than the 17.7% achieved in the first half.

Underlying operating profits* increased 42% year on year to £473m (2013: £333m). Our policy of minimising financial risk further underscored the improvement in profitability of the Group by helping to deliver a 44% increase in underlying profit before tax* to £475m (2013: £330m). Underlying basic earnings per share* of 124.5 pence is 49% higher than last year's 83.3 pence.

Our excellent liquidity has supported strong investment in new land to support and grow our site network. We are currently actively developing all sites that have an implementable detailed planning consent and look forward to opening as many new sites as soon as possible to replace those which will sell through in the near future. We generated £388m of free cash before capital returns during the year despite acquiring 26,822 plots of new land across 156 high quality locations, which represents c. 200% of current consumption. Importantly, within this new replacement land we converted 9,386 plots from our strategic land portfolio across 39 sites.

The Group held £378m of cash at the end of the year (2013: £204m). Return on capital employed** was 24.6% for 2014, an improvement of 40% over the previous year (2013: 17.6%).

Long term strategy and Capital Return Plan

We launched our long term strategy in February 2012 covering a nine-and-a-half year period ending in 2021. 2014, the third year of this plan, represents another strong step forward along this strategic path with a significant outperformance of our original expectations.

This strategic plan aims to build a stronger, larger Persimmon business based upon further disciplined investment in land and site development works at a time, and scale, that optimises both trading efficiencies and land replacement activity whilst minimising financial risk. Our long term strategy is focused on effectively mitigating the risks to sustainable value creation inherent in the UK housing market by maintaining capital discipline and delivering strong free cash generation to our shareholders over the housing cycle.

The strategic plan recognised the potential for the business to generate substantial surplus capital should the Group's operational execution be successful. The Board therefore made a commitment to deliver £1.9 billion (£6.20 per share) of surplus capital to shareholders over the nine-and-a-half year life of the plan.

To date we have returned £442m to shareholders, or 145p per share. This includes an initial planned payment of 75p per share on 28 June 2013, and a second instalment of 70p per share paid on 4 July 2014. This second payment was significantly accelerated from its planned payment in 2021 on presentation of the final results for 2013 on 24 February last year. In the same announcement the third instalment planned for July 2015 was reinstated at 95p per share.

Consistent with the principles embedded within our long term strategy and reflecting the excellent further progress Persimmon has made in 2014, combined with the confidence the Board has for the current year, the Board is recommending that the current Capital Return Plan schedule be accelerated further. Planning to minimise financial risk and retaining flexibility for reinvestment in the business remains a priority for management at this point in the cycle. However, the combination of particularly strong trading in 2014, together with good capital discipline, resulted in total shareholder equity value per share (pre capital returns) generated for the year of 118 pence, an increase of 28% over the value generated last year (2013: 92 pence per share).

As a result the Directors now intend to return 95p per share in early April 2015 accelerating in full the payment of 95p per share previously scheduled for early July 2015.

The Group anticipates that the capital return for 2015 of 95p per share will be paid on Thursday 2 April 2015. The Directors again propose to offer shareholders the opportunity (wherever possible) to choose whether to receive the cash either as a return of capital or as dividend income by way of a B share/C share scheme in line with the procedure adopted in 2013 and 2014. Full details of the B share/C share proposal is being despatched to shareholders today, along with the required notice of a General Meeting of the company containing a single shareholder resolution, being the vote for approval of the recommended payment of surplus capital of 95p per share on 2 April 2015.

Outlook

Current total forward sales, including legal completions taken so far in 2015, are £1,490m, 5% ahead of the previous year (2014: £1,424m). We have experienced a solid opening period to the 2015 spring season with average visitors to site being in line with the levels of the prior year, 2014 having been particularly strong, with visitors being 16% ahead of 2013. This encouraging start has been supported by low cancellation levels, leading to our weekly private sales rate per site being 5% stronger than the prior year for the first eight weeks. The reduction of stamp duty on house purchases for the majority of home buyers introduced in the Autumn Statement last year is supporting sentiment and reducing costs for potential house buyers.

The Group has made a good start to the new year with 60 of the 120 new outlets planned for the first half of 2015 already open. By 30 June we aim to have construction underway at c. 400 active outlets, an increase of 7% over the c. 375 active sites at the start of the year.

We remain focused on maximising the value of each home sold and have experienced further modest selling price improvement for our private housing sales. Despite some uncertainty arising from the General Election in May, the ongoing gradual improvement in the UK economy and increasing mortgage lender support provides a supportive backdrop for the new homes market.

2014 represented another period of strong outperformance, with the Group delivering profitable growth and significant cash generation whilst completing substantial investment in new land which will sustain value creation for shareholders into future years. All Persimmon employees have worked extremely hard to deliver a significant increase in new homes to our customers. On behalf of the Board I would like to thank the management and all our staff, our suppliers and contractors on delivering such an outstanding performance. Your Board remains confident of the Group's further successful development in the future.

Nicholas Wrigley
Chairman

23 February 2015

* stated before exceptional items and goodwill impairment
** 12 month rolling average and stated before exceptional items and goodwill impairment

STRATEGIC REPORT

"Building value"

Persimmon's Strategy

The Group's long term strategy launched three years ago is designed to create superior sustainable shareholder value and remains focused on the most important elements of our business model:

- The achievement and maintenance of an optimal scale for the business which enables our land replacement activity to be fulfilled most effectively;
- Prioritisation of strategic land investment and conversion to maximise shareholder returns over the long term;
- The maintenance of discipline over the level of capital employed within the business through the housing cycle and optimisation of the Group's capital structure; and
- The creation of greater certainty over the value and timing of returns to shareholders.

With the successful execution of the Group's operational objectives the strategy will lead to the generation of surplus capital across the housing cycle. Our strategic review identified the opportunity for the payment of £1.9bn (£6.20 per share) of surplus capital to shareholders over nine-and-a-half years ending in 2021. This Capital Return Plan relies upon, and reinforces, capital discipline through the housing cycle to minimise operational and financial risk. Adoption of the strategy and the Capital Return Plan is designed to sustain superior shareholder value creation over the long term by delivering to shareholders a reliable level of cash return through the housing cycle.

Since the downturn in 2008 we have made substantial investment in new land of £2.04bn bringing over 81,100 new plots into the Group's land bank and, in response to the improvement in market conditions since early 2013, the Group's construction activity has increased significantly.

The Group's performance in 2014 has been particularly strong, building momentum in both new site starts based on the success of our previous land investment programme, and also in our build activity to support a substantial increase in the number of new homes sold to customers. During 2014 we were again successful in achieving our short term operational priorities which delivered further significant progress of our strategic plan as follows:

- ***Growth***
  The Group increased the volume of new homes sold during the year by 17% to 13,509, c. 2,000 more than in the prior year. Since the launch of the new strategy sales volumes have increased by 44%. Our strategy is focused on achieving a sustainable market share and scale in each of our regional markets. Historically, the Group's optimal annual private sales rate from each active site has been around three new homes sold every four weeks (or c. 0.75 of a sale per site per week), with efficiencies and returns being maximised at this level. During 2014 the market supported a weekly sales rate of 0.59 for our business. Looking ahead, a key part of the Group's strategy is to secure further improvement in returns and cash generation from an increase in the sustainable scale of its operations.

- ***Momentum***
  Total forward sales at 23 February 2015, including legal completions so far this year, increased to £1.49bn, 5% stronger than at the same point last year (2013: £1.42bn).

- ***Resilience***
  During 2014 we successfully opened 185 new sites compared with planned openings of 190 new sites. We are optimistic of launching a further 120 new sites in the first half of 2015. Our teams are working extremely hard to secure the required implementable detailed planning consents and overcome increasing uncertainty in the planning system as the General Election approaches. Since the launch of the new strategy we have opened a total of 485 new sites. The Group currently has a strong network of 385 sites across all regions of the UK (2014: 390).

- ***Asset strength***
  At 31 December 2014 the Group owned and controlled c. 87,700 plots of land for future development, of which c. 45,700 are owned and have an implementable detailed consent to support our short term construction and sales activity. We also own c. 12,700 plots which have an outline planning consent for which we are clearing detailed pre-start requirements as swiftly as possible. During 2014 we acquired 26,822 plots of new land on 156 sites, of which 9,386 plots were converted from our strategic land portfolio. Since the launch of the new strategy we have successfully converted c. 20,700 plots from our strategic land portfolio and invested in a further 5,500 acres of strategic land.

  Approximately 44% of the plots owned or under our control within our forward consented land bank at 31 December 2014 were previously part of our strategic land portfolio.

  To support the growth of the business we have acquired c. 59,300 plots of new land since the launch of the new strategy. Our cash spend on land over this period totals c. £1.46bn. During the year we have experienced continued availability of land in good locations at values which we believe will deliver excellent returns for the future.

- ***Returns***
  For 2014 the Group's return on average capital employed* ("ROACE") improved by 40% to 24.6% from 17.6% in 2013. Since the launch of the new strategy ROACE* has improved by c. 300%.

  A key driver of the improvement in returns in 2014 was the 15% growth in underlying operating margin** to 18.4% (from 16.0% in 2013). Underlying operating profits** of £473.3m increased 42% year on year (2013: £333.1m).The Group has combined this improved profitability with a strong focus on disciplined site construction programmes which has resulted in the continuation of our industry leading asset turn, with work in progress representing just 18% of 2014 revenues.

  The Group's strong liquidity is supported by this robust capital efficiency. Free cash generated before capital return in 2014 was £388m, or 127 pence per share. Since the launch of the new strategy the Group has generated c. £800m, or 261 pence per share, of free cash before capital returns.

- ***Surplus capital***
  On 4 July 2014 Persimmon paid a second, accelerated, instalment under the Capital Return Plan of 70 pence per share, amounting to £214m. Based upon the excellent progress the business has made in 2014 we now propose a further acceleration of the original planned payments. The Board is recommending that the payment of 95 pence per share currently planned for 6 July 2015 is paid on 2 April 2015.

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

Original Plan	New Plan	Original Plan Pence Per Share	New Plan Pence Per Share
28 June 2013	28 June 2013	75 paid	75 paid
	4 July 2014	-	70 paid
30 June 2015	2 April 2015	95	95
	6 July 2016	-	10*
30 June 2017	6 July 2017	110	110
	6 July 2018	-	10*
30 June 2019	5 July 2019	110	110
30 June 2020	6 July 2020	115	115
30 June 2021	6 July 2021	115	25
Total		620	620

* at least 10p – value to be reviewed in due course

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

The UK housing market

Market conditions in the first half of 2014 were particularly strong, supported by an increase in lending activity from the major mortgage lenders, in association with the Government sponsored Help to Buy shared equity scheme ("HTB"), providing compelling mortgage offers for customers. Customer confidence strengthened gradually through the year as the UK's economic performance continued to improve.

Whilst monthly mortgage approval volumes increased by 22% over the prior year in the first half of 2014, the reinforcement of disciplined lending practices on the introduction of the Mortgage Market Review regulations in April led to a cooling in the market from May. In addition, the Bank of England Financial Policy Committee introduced market oversight measures in June which are designed to provide a combination of guidance and direction to lenders with respect to the future balance of new lending. We welcome these measures, as they should help ensure that sensible lending practices are maintained over the long term assisting the sustainability of the UK housing market. A number of major mortgage lenders adjusted their participation in the market through the second half of the year allowing others to pursue additional business. This healthy trend of increasing competition has delivered an improved supply of higher loan to value mortgages at compelling interest rates. We expect mortgage lenders to continue to increase their lending support to customers through 2015 based upon recent projections from the industry, despite some softening of mortgage approvals in the last quarter of 2014. Further expansion of industry output will be assisted by improvements in the availability of mortgage finance, allowing greater access to the market for customers.

The market returned to more balanced conditions in the second half of 2014. The Group's average private sale reservation rate in the second half was c. 80% of that achieved in the particularly strong first half, but was just c. 3% lower than the second half of the prior year, a period which benefitted from the initial pent up demand released by the launch of HTB. The Group has continued to strengthen construction programmes to focus on prompt delivery of new homes to our customers by overcoming the challenges of resourcing sites with the appropriate level of skilled site labour.

The industry has continued to pursue increases in build activity to capture the sales opportunities available across the UK. This has created increased competition for materials and skilled site labour. Whilst the supply chain has supported the industry by increasing the volume of materials manufactured and delivered to site progressively through the year, the availability of skilled trades has remained tight. Over the last three years the Group has increased the number of apprentices and graduate trainees engaged by the business. In addition, in the autumn we launched our "Combat to Construction" initiative which provides re-training opportunities for service personnel on leaving the armed forces. The initiative enables ex-servicemen and women to acquire trade skills through a structured programme of training based both in the classroom and on site. We have been extremely pleased with the start to this scheme. The Group will be introducing substantial numbers of newly trained skilled employees to the business over the coming years to help rebuild the skill base and sustain growth in industry output over the longer term.

The Help to Buy scheme has been key to generating momentum in regional housing markets since its introduction in April 2013. Mortgage lenders have supported this 20% shared equity loan scheme with very competitive interest rates and we believe that these mortgages will remain the most attractive opportunity for customers to buy a new home. The Government created greater certainty for customers and the house building industry in March 2014 when the duration of the scheme was extended from 2016 to 2020. During 2014 we sold 5,358 new homes to customers who have taken advantage of the scheme, 4,374 in England, and 984 in Wales and Scotland where we have also seen good take up of equivalent shared equity schemes.

The Government's mortgage indemnity guarantee scheme for higher loan to value mortgages, the second part of the Help to Buy scheme, was introduced across the whole of the UK housing market in early October 2013. This is helping to support an increase in existing owner occupiers moving through the market, facilitating an increase in the number of overall housing transactions. The new homes market will continue to benefit from the increase in the number of these housing chains successfully completing.

Trading

Our two private sale brands, Persimmon and Charles Church, have performed particularly well in the context of the recovering market.

Persimmon
With a focus on traditional family housing in popular locations our Persimmon brand increased revenue*** by 30% over last year, to £1.62bn (2013: £1.25bn), largely driven by the 24% increase in legal completions during 2014 to 8,503 new homes (2013: 6,830 new homes). This substantial increase reflects the success of targeting the first time buyer and first mover segments of the market with house types that customers have found compelling to buy in association with the availability of HTB. We remain firmly committed to providing a choice of new homes at affordable prices as reflected in the Persimmon average selling price*** of £191,028 for 2014, an increase of 4.4% over the prior year (2013: £182,899). For the Group as a whole, 57% of our total private market sales were delivered at prices of less than £200,000 (2013: 57%).

For the Persimmon brand, our northern regional markets secured 58% of legal completion volumes and 52% of revenues notwithstanding the average selling price*** for the year of £169,514 (2013: £161,188) being 23% lower than the average selling price for our southern regional markets of £221,001 (2013: £211,523). The highest average selling price was again achieved by our Shires market at £249,959 (2013: £228,619) with higher value sites at Roman Chase, Leighton Buzzard and at Princes Gate, Hatfield, delivering good volumes of legal completions. The North East market delivered the lowest average selling price for the year at £158,061 (2013: £156,518) with notable sales to first time buyers being achieved at sites at The Grange, Bowburn and at South Shore, Blyth.

Persimmon legal completion volumes increased 24% year on year. A 16% increase in the second half followed an increase of 36% in the first half, the second half of the prior year being particularly strong due to the introduction of HTB. The Group's focus on improving build programmes and increased site resourcing enabled Persimmon to deliver over 400 more new homes in the second half of the year compared with the first half at 4,455 legal completions, a 10% increase. The largest volumes were secured in our Shires and Scottish markets with 1,359 and 1,173 legal completions respectively. Our Midlands and Western markets also produced very strong sales with each delivering over 1,000 legal completions. The significant pick up in legal completion volumes has been facilitated by the Group's focus on improving build rates and opening as many new sites as promptly as possible. Whilst opening new sites remains challenging, we will continue to work diligently to secure new site starts as quickly as possible to expand our output further in 2015 where markets allow.

The land market offered some excellent opportunities to buy new sites with attractive levels of return during the year due to an improvement in supply resulting from the prior introduction of the National Planning Policy Framework and reduced levels of competition. As a result Persimmon acquired 17,676 plots of new land during the period and has 58,405 plots owned and under control in the forward consented land bank at 31 December 2014. Despite this strong investment for the future the land bank has shortened a little from the prior year due to the rapid increase in legal completions year on year and now represents a forward supply of 6.9 years at 2014 output levels. Asset efficiency and return on capital employed will continue to improve with the further growth of the business.

We also enjoyed further success in converting our strategic land into consented land across the UK during the year and for Persimmon we delivered 5,546 plots into our consented land bank which represents 65% of the plots consumed by legal completions in the year. Notable conversions were achieved for 148 new homes at Edinburgh, East Scotland and for 292 plots at Bishops Stortford in Essex which includes a partnership housing allocation of 105 plots.

We continue to work with St Modwen to deliver new homes from our joint operations and sold 285 new homes in 2014 from the eight active sites under joint development (2013: 150 legal completions).

Charles Church

Through offering executive housing in premium locations, Charles Church also generated significant revenue*** growth of 14% year on year, to £725.0m (2013: £637.5m). Legal completion volumes increased 7% to 2,750 new homes at an average selling price*** of £263,637 (2013: £247,375), an increase of 6.6% on the prior year. In the first half of 2014 the Charles Church brand experienced a 20% increase in legal completion volumes over last year to 1,372 new homes and managed to maintain this volume of home completions in the second half.

Through our market research and experience we continue to identify locations across the UK where we expect to see strong demand for Charles Church homes. Around 68% of Charles Church sales were secured in more southern markets which is slightly ahead of the prior year. The increase in average selling price year on year was in part a result of this shift in geographic mix, with new homes in more southern markets typically commanding a higher price. This was influenced by strong legal completion volumes delivered at sites at Henfield, south of Crawley, and at Wootton, south west of Bedford.

On our larger sites we continue to provide both Persimmon and Charles Church branded new homes each catering for their different customer markets where the site allows a suitably differentiated offer to be developed. This dual branding approach allows the Group to optimise its sales rates and achieve a more rapid asset turn by attracting customers from across the widest range of the home buying public. This allows our site operations to run more efficiently with consequential benefits being captured through our operations, from customer care and health and safety to continuity of site resourcing and build programming. Dual offers have been recently established at Bishopton in West Scotland where the development scheme includes 290 Persimmon plots and 30 Charles Church homes in different locations on the same large site and similarly on a 186 unit development at Swindon in Wessex where 66 Charles Church homes are available.

During the year we invested strongly in new land for Charles Church acquiring 4,233 plots. This has led to the Charles Church forward consented land bank of 12,198 plots owned and under control to extend a little to 4.4 years of forward supply at 2014 sales volumes. Despite this, as planned, we expect the Charles Church land bank to remain shorter than that for Persimmon to allow Charles Church to deliver a strong return on capital whilst accommodating a sales rate which is typically slower than for Persimmon due to the higher average pricing.

Of the new land acquired in 2014, 1,605 plots were converted from the strategic land bank representing 58% of 2014 legal completions. Our successful conversion of strategic land, for example at Holmes Chapel in the North West for a development of 56 new homes and at Cardiff in East Wales for 130 plots, will add superior returns for the Charles Church brand as these sites achieve implementable detailed residential planning consent and become active in the future.

Westbury Partnerships

Westbury Partnerships, our partnership housing business, increased the volume of new homes delivered to our housing association partners across the UK by 6% in 2014 to 2,256 homes (2013: 2,121 homes).

We remain focused on developing sustainable communities in locations where families wish to work and live, assisting as many lower income families as possible to gain access to the housing market in line with the aims of the National Planning Policy Framework. Our partnership business is able to offer housing across all tenures at an early stage in the planning process to our housing association partners based on the projected dates for opening up new sites. We start construction on new sites as quickly as possible, working hard to fulfil all planning responsibilities to deliver newly built houses to our housing association partners as early as possible in the development programme. This remains an important market for the Group, representing 17% of total Group legal completions for 2014.

The Group continues to enjoy a very strong relationship with the Homes & Community Agency ("HCA") and the Housing Agencies in Scotland and Wales. Our partnership housing business is actively involved in managing our relationships associated with the Help to Buy equity loan scheme in England and similar schemes in Scotland and Wales. Since the introduction of these schemes the Group has sold over 7,500 new homes to customers who have secured HTB mortgages, the vast majority being first time buyers reflecting the greater access this scheme provides for customers taking their first step into the housing market.

During 2014 we made further progress with the Group's commitment to the Government's 2011-2015 Affordable Housing Programme ("AHP") which is supported with grant funding. This programme is focused on delivering low cost homes across the regions. Working closely with the HCA, Westbury Partnerships has committed to build 335 new homes under the AHP. During the year we have delivered 105 new homes on sites at East Trowbridge near Bath, Pointers Way in Redditch, and Haddenham Parkway in Buckinghamshire. Westbury Partnerships will continue to work with the HCA to secure participation in the new AHP which commences in March 2015.

The Government continues to dispose of public land through the Delivery Partner Panel ("DPP") to facilitate increased land supply to support growth in new house construction. Westbury Partnerships leads the Group's review and examination of all these opportunities having secured the Group's participation in the DPP until May 2017. During the year 273 plots of land at Eldon Whins in County Durham were secured via the DPP for future development on successfully achieving planning consent. In addition, we are about to start constructing 155 new homes at Pleasley Hill, Mansfield sourced through the DPP. We are confident that the Group will continue to identify further good development opportunities working with Government to help to increase overall supply of newly built homes across the UK.

Space4
During 2014 the Group's house building businesses have increased their use of our unique in-house Space4 manufacturing facility, with volumes of closed-panel timber frame house kits increasing by 21% to c. 5,100 units (2013: 4,204 units). Our Space4 system is a modern method of construction using factory based manufacturing techniques to produce a timber frame and highly insulated panels that are integral to the system. This "fabric first" technique delivers very high levels of thermal efficiency. The system is ideally placed to fulfil the increasing standards of construction required by the progressive improvements to building regulations, which will deliver the zero carbon objectives for the construction of all new homes over the long term.

Space4 has assisted the Group to react swiftly to the increase in sales rates experienced in the market over the last two years and to deliver more new homes more quickly, as reflected in the 36% increase in legal completion volumes over that two year period. This has supported increased productivity on site with more efficient build programmes and improved asset turn in our house building businesses. The Space4 factory has the capacity to increase production to around 8,000 kits each year. We will continue to focus on maximising the utilisation of this capacity to support the future growth of the business.

Seasonality and pricing
Reflecting the strong forward sales reservation position at the start of 2014 (28% up on the prior year) and the buoyant spring sales season, the Group's sales volume in the first half of 6,408 new homes was 28% ahead of last year (2013: 5,022 new homes). The Group's average weekly private sales rate was 17% stronger through the first half of the year. We opened 90 new sites in the first half to maintain our active outlet network at c. 385 sites.

Our forward order volumes at 30 June 2014 were 20% stronger than the prior year due to the improved sales rate achieved over a stable and strong outlet network. Legal completion volumes in the second half of the year increased further to 7,101 new homes, 11% ahead of the volume of the first six months and 9% ahead of the second half volume of the previous year (2013: 6,506 new homes). We ended 2014 with forward order volumes 5% stronger than the prior year providing a robust platform for sales delivery into 2015.

Selling prices across our regional markets gradually increased through 2014, being influenced by normal regional economic factors to reach £190,533 for the whole Group (2013: £180,941). Underlying average selling price firmed by c. 2.5%, around half the headline year on year increase of 5.3%. The remainder of the increase largely resulted from a change in mix with a slightly smaller proportion of housing association sales this year and increased sales in southern markets at higher price points. We have been able to maintain lower levels of marketing incentives as customer confidence continued to improve. The Group's average selling price increased from £186,970 in the first half to £193,749 in the second half.

During 2014 our southern regional markets accounted for c. 63% of total sales revenues (2013: 61%), reflecting both a higher proportion of Charles Church activity in these southern markets and the distribution of our active site network during the year.

Profitability

We are pleased to report that the underlying operating margin** for the Group continued to respond to our operational improvements and new land investments, increasing 240 basis points year on year to 18.4% (2013: 16.0%). This improvement continued through the second half of the year where we achieved a margin of 19.0% (2013: 16.6%).

The benefits of our unrelenting focus on achieving new site starts through working in partnership with all our planning stakeholders has again reaped significant rewards with a further 130 basis point contribution to the Group's gross margin as a result of improved land cost recoveries year on year. For 2014 the value of the Group's land recoveries totalled 20.0% of sales, down from 21.3% in 2013. This continued improvement reflects the quality of the land acquired by our management teams across the UK as well as the drive to optimise planning opportunities to engineer the maximum value from the land acquired by the business. These critical value-added activities have been combined with strong control over development costs.

We have continued to improve the effectiveness of the processes used to manage our build programmes. As we continue to open new sites we have been able to introduce a greater proportion of Group house types across our network delivering benefits from more efficient procurement and construction activities. We have taken advantage of the improvement in sales reservation rates to secure increased productivity and efficiency across the business. As a result we have driven a further reduction in our build and direct costs of 70 basis points to 57.8% of sales (2013: 58.5% of sales). We would like to thank all our site management teams, suppliers, site workers and sub-contractors for their support and hard work which has enabled the Group to achieve substantial profitable growth this year. These benefits have been captured by the whole team.

We have continued to make the necessary investment in our management and support teams during the year to place the growth of the business on a sustainable footing. With the 17% increase in sales volumes delivered this year our operating expense efficiency has improved, reducing average operating costs per new home sold by 7% year on year. We expect this trend of operational efficiency improvement to continue which will in turn support the future growth of the business.

Cash generation, net finance income, and financial assets

Securing strong liquidity through the housing cycle is at the core of our long term strategy. This will be delivered through maximising the cash efficiency of our operational activities together with exercising capital discipline through the cycle. The Group generated £388m of free cash before capital returns during 2014, or 127 pence per share (2013: £231m, 76 pence per share) and held £378m of cash balances at 31 December 2014 (2013: £204m).

During the first half of the year the Group held an average cash balance of c. £120m, and c. £40m in the second half. We used the committed facilities held by the Group for working capital purposes during the second half but only for a limited period. As a result the Group realised net finance income for the year of £1.7m (2013: net finance cost of £3.5m). This net income position was primarily due to the imputed interest generated on the Group’s deferred shared equity receivables offsetting the funding costs associated with the Group’s pension schemes, imputed interest payable on land creditors, and cash interest costs paid to the Group’s funding partners.

Reinvestment of free cash in the business is always of primary importance. The level of reinvestment will vary over the cycle depending upon actual and prospective conditions in the sales and land markets. Discipline over the level of reinvestment will remain a priority of the Group over the long term. During 2014 we have made further significant investment in work in progress to deliver the significant increase in sales year on year. In addition, the cash efficiency of our land replacement activity, the expansion in our cash margins and our superior asset turn has allowed us to invest in substantial new land holdings at a rate of c. 200% of 2014 consumption.

During the year the land market has provided very attractive investment opportunities, a number with deferred payment terms. The Group has taken advantage of these opportunities to expand land creditors by £154m year on year to £460m (2013: £306m). This allows the continued growth of the business to be financed through the generation of cash inflows from operations before working capital requirements, which totalled £488m in 2014 (2013: £346m), without reducing cash resources available to shareholders.

With the introduction of the Government’s Help to Buy scheme the Group has experienced a significant reduction in the requirement to offer shared equity loans to customers. As a result, the Group’s “Available for sale financial assets”, being deferred receivables from our customers, reduced in the year by £14m to £201m (2013: £215m). We have experienced increasing redemption cash inflows and an absence of any significant distress associated with the outstanding loans. The Board has again reviewed the carrying value of these receivables and has concluded that the value is appropriate.

The delivery of the Capital Return Plan depends upon the cash efficiency of our business processes. We remain confident that our operational approach will underpin the delivery of our long term strategy as reflected in the further acceleration of the Capital Return Plan announced today. Indeed, this focus has supported a 40% growth in the rate of return on the capital employed in the business which climbed to 24.6% for the year (2013: 17.6%).

Land and construction

Investing in new land opportunities at the appropriate point in the housing market cycle at attractive values is critical in sustaining superior shareholder value creation over the longer term. The Group’s land replacement activity is focused on securing high quality returns for each of our house building businesses in their regional markets. Our management teams’ capabilities enable us to create significant value by identifying compelling acquisition opportunities both in the short term land market and for strategic land investment. This value is enhanced by our planning teams through optimising our development schemes and bringing the sites into production as quickly as possible. The quality of these investments is revealed not only in the strong profitability and cash generation in the short term, but in the superior quality of the land bank we hold for future development which stood at 87,720 plots owned and under control at the end of the year.

The Group’s carrying value of its land assets at 31 December 2014 of £1,842m was £206m higher than the prior year (2013: £1,636m) reflecting the strong investment for the future development of the business by acquiring 26,822 plots of new land in 2014.

Our owned and controlled land bank at 31 December 2014 represents c. 6.5 years of supply at 2014 output volumes in line with the position last year. Our long term strategy remains to reduce our forward supply to nearer five years at optimal levels of output. The anticipated further growth of the Group in achieving the optimal sustainable market share of each of our regional businesses, in conjunction with exercising investment discipline, continues to secure the required capital efficiency of our land holdings.

A key element of our business model is the continued investment in strategic land and its successful promotion and conversion into consented land through the planning system. We successfully obtained planning permission for 9,386 plots of land from our strategic land portfolio during the year, representing c. 69% of the Group’s land consumption in 2014. In addition, we acquired interests in a further c. 2,650 acres of strategic land. We are confident that we will secure a detailed planning consent for this land on proving its sustainable qualities through the normal planning application processes over future months and years.

We are working very hard to convert as much of our strategic land as swiftly as possible. The risk of change to UK planning policies increases with the upcoming General Election, with the ensuing increased uncertainty for decision making by local planning authorities in their communities. The new National Planning Policy Framework has started to improve the efficiency of the UK planning process and is gradually increasing the supply of land for residential use. Whatever the result of the next General Election a continuation of the new policy framework will be a key ingredient in supporting the required level of confidence that the house building industry needs to continue to increase its output and make the further substantial investment required to facilitate this growth. We have substantial numbers of applications for residential land use submitted with the planning authorities across our regional businesses. We are confident that our strategic land portfolio of c. 17,000 acres will yield in excess of 100,000 forward plots for future development by the business in due course.

At 31 December 2014 the carrying value of our work in progress of £465m was just £1m higher than the prior year (2013: £464m). Whilst this lean work in progress position reflects the Group’s strong control over build programmes, which is focused on delivering completed new homes to customers as promptly as possible, it also results in part from the tight market for skilled labour mentioned earlier in this report. The Group's work in progress investment represents just 18% of 2014 sales and represents a further 18% improvement on last year's asset turn. This remains a key support to superior cash generation and returns. We anticipate that additional substantial investment will continue to be made in work in progress and we will continue to convert our work in progress as swiftly as possible over future periods to minimise operational and financial risks.

The Board has again reviewed the net realisable value of land and work in progress at the year end using consistent principles to prior years. Overall, the Board concluded that there was no significant net change in impairment provision required at the year end due to the balance between the firming of selling prices through the year being mitigated by a degree of cost inflation on the relevant sites. This position resulted from a gross reversal of provision no longer required on certain development sites being offset by additional requirements on others of £9.9m. At the year end the Group retained an impairment provision of £80.4m (2013: £102.8m) which is considered adequate to address the potential impact of current market uncertainties on future revenues and direct costs.

Shareholders' equity, treasury policy and related risks

The Group's long term strategy relies upon disciplined use of capital through the housing cycle. This requires management to retain funding flexibility to support investment in land and work in progress at the appropriate point in the cycle whilst returning surplus capital to shareholders. This approach will deliver and sustain greater shareholder value over the longer time horizon recognising the inherent cyclicality of the housing market. We believe this strategy actively supports the development of the business over the long term whilst securing a strong financial position to minimise financial risk. We believe the Board's undertaking to return £1.9bn of surplus capital to shareholders over the 9 ½ year period to 2021 demonstrates our commitment to exercise the required capital discipline.

The Group's total after tax retained profits for the year were 45% higher than last year at £372.0m (2013: £257.2m). The Group's retained earnings were offset in part by an after tax remeasurement loss of £33.3m associated with the Group's pension schemes deficit of £0.5m, and added to by share based payments of £18.8m.

As a result of the Group's long term strategy a second instalment under the Capital Return Plan of £214m was accelerated and paid to shareholders on 4 July 2014. Shareholders elected to receive £154m as dividends and £60m in cash-redeemed B shares on receipt of the B share/C share offer for the payment of the second instalment.

The Group's total net asset value of £2,193m (2013: £2,046m) increased by 7% or £147m for the year ended 31 December 2014. Net assets per share increased 7% over the prior year end to 715.4 pence (2013: 671.4 pence).

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

We concluded an amendment of the Group's £300m Revolving Credit Facility on 31 March 2014 with our five relationship banks which included an extension of the facility's maturity date to 31 March 2019.

Current trading outlook

Customer activity during the first few weeks of the spring market in 2015 has been encouraging. Whilst the broader economic outlook remains uncertain, the personal finances of hard working families across the UK are forecast to improve this year. The UK population continues to prioritise home ownership as its preferred choice with respect to housing provision. We are confident that increasing numbers of home buyers will select a new home from the Group as being the right choice for them, securing a high quality home in locations they wish to live and work. We expect the recent reduction in the cost of stamp duty on buying a new home to support increased access to the market, particularly for first time buyers.

Against comparatives which reflect a particularly strong period in the market last year buoyed by the introduction of Help to Buy, our weekly private sales rate per site is 5% stronger for the year to date. Despite the expectation of a little continued weakness in the short term due to the approach of the General Election, with improved mortgage lender support we anticipate that the market will continue a more balanced recovery as we progress through 2015. Customers remain keen to secure mortgages supported by the provision of Help to Buy and we have sold c. 39% of our volume so far this year to customers using these mortgage products.

The typical seasonality of trading in the industry may be disturbed this year with sales rates picking up into the autumn depending upon the implications of the result of the General Election. To mitigate the risk to sales rates in the short term we are working extremely hard to open new sites as early in the spring season as possible. Whilst planning-related pre-start conditions continue to increase the time taken to bring new outlets to market, we are pleased to have already opened 60 of the 120 new outlets planned for the first half of 2015. We are working hard to increase our active outlet network to around 400 sites by the middle of 2015 up from c. 375 sites at the start of the year.

Our forward sales revenue including legal completions in the first eight weeks of 2015 is up 5% year on year at £1.49bn (2014: £1.42bn) and the order book points to further margin improvement to come. This is supported by our drive to capture further operational efficiencies and our plans to expand our sales network during 2015.

We plan to continue significant investment in new land during 2015 to support the further growth of our regional businesses towards optimal sustainable scale in their markets. We expect our free cash generation will support land replacement activity at healthy levels whilst also providing increasing levels of confidence regarding the delivery of the Capital Return Plan to our shareholders.

The achievements of the Persimmon team during 2014 provide us with great confidence in the future prospects of the Group. We would like to thank all our employees for their hard work, tenacity and dedication in delivering such an outstanding performance for the business.

We will remain focused on the basics of good house building, buying good land, building quality homes and creating sustainable communities in locations where people want to live. This lies at the heart of our strategy and we are confident of making further progress in fulfilling our strategic objectives over the coming year.

Jeff Fairburn
Group Chief Executive
23 February 2015

Mike Killoran
Group Finance Director

* 12 month rolling average and stated before exceptional items and goodwill impairment
** stated before exceptional items and goodwill impairment
*** stated before fair value charge on shared equity sales

PERSIMMON PLC
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2014

	Note	**2014**	2013		
		Total	Before exceptional items	Exceptional items (note 2)	Total
		£m	£m	£m	£m
Revenue		**2,573.9**	2,085.9	-	2,085.9
Cost of sales		**(2,002.1)**	(1,664.6)	14.1	(1,650.5)
Gross profit		**571.8**	421.3	14.1	435.4
Other operating income		**8.6**	10.0	-	10.0
Operating expenses		**(115.1)**	(104.8)	-	(104.8)
Profit from operations before impairment of intangible assets		**473.3**	333.1	14.1	347.2
Impairment of intangible assets		**(8.0)**	(6.6)	-	(6.6)
Profit from operations		**465.3**	326.5	14.1	340.6
Finance income		**15.9**	11.3	-	11.3
Finance costs		**(14.2)**	(14.8)	-	(14.8)
Profit before tax		**467.0**	323.0	14.1	337.1
Tax	3	**(95.0)**	(76.6)	(3.3)	(79.9)
Profit after tax (all attributable to equity holders of the parent)		**372.0**	246.4	10.8	257.2
Other comprehensive (expense)/income					
Remeasurement (losses)/gains on defined benefit pension schemes	10	**(41.6)**	6.6	-	6.6
Tax	3	**8.3**	(0.8)	-	(0.8)
Other comprehensive (expense)/income for the year, net of tax		**(33.3)**	5.8	-	5.8
Total recognised income for the year		**338.7**	252.2	10.8	263.0
Earnings per share [i]					
Basic	5	**121.8p**			84.7p
Diluted	5	**121.7p**			84.2p
Non-GAAP measures – Underlying earnings per share [ii]					
Basic	5	**124.5p**			83.3p
Diluted	5	**124.3p**			82.8p

[i] Earnings per share is calculated in accordance with IAS 33: Earnings Per Share.
[ii] Underlying earnings per share excludes exceptional items and goodwill impairment.

PERSIMMON PLC
Consolidated Balance Sheet
As at 31 December 2014

	Note	**2014 £m**	2013 £m
Assets			
Non-current assets			
Intangible assets		**229.9**	237.9
Property, plant and equipment		**33.4**	31.8
Investments accounted for using the equity method		**3.0**	3.0
Available for sale financial assets		**201.3**	215.4
Trade and other receivables		**8.2**	8.2
Deferred tax assets		**30.3**	19.1
Retirement benefit assets	10	**-**	23.5
		506.1	538.9
Current assets			
Inventories	6	**2,408.2**	2,194.9
Trade and other receivables		**62.7**	83.9
Cash and cash equivalents	9	**378.4**	204.3
Assets held for sale		**0.9**	0.9
		2,850.2	2,484.0
Total assets		**3,356.3**	3,022.9
Liabilities			
Non-current liabilities			
Trade and other payables		**(265.3)**	(163.7)
Deferred tax liabilities		**(17.8)**	(22.4)
Partnership liability		**(47.4)**	(50.1)
Retirement benefit obligations	10	**(0.5)**	-
		(331.0)	(236.2)
Current liabilities			
Trade and other payables		**(731.5)**	(637.9)
Partnership liability		**(5.3)**	(5.3)
Current tax liabilities		**(95.9)**	(98.0)
		(832.7)	(741.2)
Total liabilities		**(1,163.7)**	(977.4)
Net assets		**2,192.6**	2,045.5
Equity			
Ordinary share capital issued		**30.6**	30.5
Share premium		**103.4**	160.0
Capital redemption reserve		**136.7**	76.7
Other non-distributable reserve		**281.4**	281.4
Retained earnings		**1,640.5**	1,496.9
Total equity		**2,192.6**	2,045.5

PERSIMMON PLC
Consolidated Statement of Changes in Shareholders' Equity
For the year ended 31 December 2014

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other non-distributable reserve £m	Retained earnings £m	Total £m
Balance at 1 January 2013	30.3	234.2	-	281.4	1,447.8	1,993.7
Profit for the year	-	-	-	-	257.2	257.2
Other comprehensive income	-	-	-	-	5.8	5.8
Transactions with owners:						
Allotment of B/C shares	-	(76.7)	-	-	-	(76.7)
Redemption and cancellation of B/C shares	-	-	76.7	-	(76.7)	-
Dividends on equity shares	-	-	-	-	(151.2)	(151.2)
Issue of new shares	0.2	2.5	-	-	-	2.7
Own shares purchased	-	-	-	-	(3.0)	(3.0)
Exercise of share options/share awards	-	-	-	-	(1.2)	(1.2)
Share-based payments	-	-	-	-	17.0	17.0
Satisfaction of share options from own shares held	-	-	-	-	1.2	1.2
Balance at 31 December 2013	**30.5**	**160.0**	**76.7**	**281.4**	**1,496.9**	**2,045.5**
Profit for the year	-	-	-	-	372.0	372.0
Other comprehensive expense	-	-	-	-	(33.3)	(33.3)
Transactions with owners:						
Allotment of B/C shares	-	(60.0)	-	-	-	(60.0)
Redemption and cancellation of B/C shares	-	-	60.0	-	(60.0)	-
Dividends on equity shares	-	-	-	-	(153.9)	(153.9)
Issue of new shares	0.1	3.4	-	-	-	3.5
Exercise of share options/share awards	-	-	-	-	(0.7)	(0.7)
Share-based payments	-	-	-	-	18.8	18.8
Satisfaction of share options from own shares held	-	-	-	-	0.7	0.7
Balance at 31 December 2014	**30.6**	**103.4**	**136.7**	**281.4**	**1,640.5**	**2,192.6**

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. It will remain non-distributable.

PERSIMMON PLC
Consolidated Cash Flow Statement
For the year ended 31 December 2014

	Note	**2014 £m**	2013 £m
Cash flows from operating activities:			
Profit for the year		**372.0**	257.2
Tax charge	3	**95.0**	79.9
Finance income		**(15.9)**	(11.3)
Finance costs		**14.2**	14.8
Depreciation charge		**6.2**	4.5
Impairment of intangible assets		**8.0**	6.6
Profit on disposal of property, plant and equipment		**-**	(0.1)
Profit on disposal of assets held for sale		**-**	(0.1)
Share-based payment charge		**10.2**	10.3
Exceptional items	2	**-**	(14.1)
Other non-cash items		**(1.8)**	(2.2)
Cash inflow from operating activities		**487.9**	345.5
Movements in working capital:			
Increase in inventories		**(213.3)**	(129.8)
Decrease/(increase) in trade and other receivables		**34.5**	(26.6)
Increase in trade and other payables		**173.5**	105.3
Decrease/(increase) in available for sale financial assets		**14.1**	(12.5)
Cash generated from operations		**496.7**	281.9
Interest paid		**(4.6)**	(2.9)
Interest received		**0.5**	0.9
Tax paid		**(96.1)**	(38.3)
Net cash inflow from operating activities		**396.5**	241.6
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(7.8)**	(6.6)
Proceeds from sale of property, plant and equipment		**-**	0.3
Proceeds from sale of assets held for sale		**-**	0.2
Net cash outflow from investing activities		**(7.8)**	(6.1)
Cash flows from financing activities:			
Financing transaction costs		**(1.8)**	-
Payment of Partnership Liability		**(2.5)**	(4.5)
Own shares purchased		**-**	(3.0)
Share options consideration		**3.6**	2.7
B Share Redemption	4	**(60.0)**	(76.7)
Dividends paid	4	**(153.9)**	(151.2)
Net cash outflow from financing activities		**(214.6)**	(232.7)
Increase in net cash and cash equivalents	8	**174.1**	2.8
Cash and cash equivalents at the beginning of the year		**204.3**	201.5
Cash and cash equivalents at the end of the year	9	**378.4**	204.3

Notes

1. Basis of preparation

The results for the year have been prepared on a basis consistent with the accounting policies set out in the Persimmon Plc Annual Report for the year ended 31 December 2014.

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

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 December 2014 or 2013, but is derived from those accounts. Statutory accounts for 2013 have been delivered to the Registrar of Companies, and those for 2014 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

Whilst the financial information included in this announcement has been computed in accordance with IFRS as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to send its Annual Report 2014 to shareholders on 16 March 2015.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report in the Annual Report and the financial statements and notes. The Directors believe that the Group is well placed to manage its business risks successfully. The principal risks that may impact the Group’s performance and their mitigation are outlined in note 11. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to fund its operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the annual financial statements.

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2014:

- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosures of Interests in Other Entities
- IAS 27: Separate Financial Statements
- IAS 28: Investments in Associates and Joint Ventures
- Amendments to IAS 32: Financial Instruments: Disclosures – Offsetting Financial Assets and Liabilities
- Amendments to IAS 36: Recoverable Amount Disclosures for non-Financial Assets
- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC Interpretation 21: Levies

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

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

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

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

2. Exceptional items

Impairment of inventories

During the year, the Group reviewed the net realisable value of its land and work in progress carrying values of its sites. This review did not give rise to an exceptional credit or debit to the statement of comprehensive income (2013: £14.1m credit). Further details are provided in note 6.

3. Tax

	2014 £m	2013 £m
Tax charge comprises:		
UK corporation tax in respect of the current year	**100.7**	78.9
Adjustments in respect of prior years	**(6.7)**	(0.9)
	94.0	78.0
Deferred tax relating to origination and reversal of temporary differences	**1.9**	2.0
Adjustments recognised in the current year in respect of prior years deferred tax	**(0.9)**	(0.1)
	1.0	1.9
	95.0	79.9

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

	2014 £m	2013 £m
Profit from continuing operations	**467.0**	337.1
Tax calculated at UK corporation tax rate of 21.5% (2013: 23.25%)	**100.4**	78.4
Accounting base cost not deductible for tax purposes	**0.4**	0.7
Goodwill impairment losses that are not deductible	**1.7**	1.5
Expenditure not allowable for tax purposes	**0.2**	0.1
Effect of change in rate of corporation tax	**(0.1)**	0.2
Adjustments in respect of prior years	**(7.6)**	(1.0)
Tax charge for the year recognised in profit or loss	**95.0**	79.9

The applicable corporation tax rate has reduced from the prior year in line with corporation tax rates effective from 1 April 2013 (23%) and 1 April 2014 (21%). A further corporation tax rate change enacted on 2 July 2013 effective from 1 April 2015 (20%) has been reflected in deferred tax calculations.

In addition to the amount recognised in profit or loss, deferred tax of £8.3m was credited directly to other comprehensive (expense)/income (2013: debit of £0.8m), and £8.5m was recognised in equity (2013: £6.7m).

The Group has recognised deferred tax assets of £0.1m (2013: liabilities of £4.7m) on the total pension deficit of £0.5m (2013: surplus of £23.5m).

4. Dividends/Return of capital

	2014 **£m**	2013 £m
Amounts recognised as distributions to capital holders in the period:		
2013 return of capital to B shareholders of 75.0p per share	**-**	76.7
2013 dividend to C shareholders of 75.0p per share	**-**	151.2
2014 return of capital to B shareholders of 70.0p per share	**60.0**	-
2014 dividend to C shareholders of 70.0p per share	**153.9**	-
2015 proposed return of 95.0p per share	**291.1**	-

The Company plans to return 95p of surplus capital (2014: 70p) in cash to shareholders for each ordinary share held at 6.00pm on 19 March 2015. The payment will be made on 2 April 2015, subject to shareholder approval.

The Directors propose to offer the opportunity for shareholders (wherever possible) to choose whether to receive the cash on 2 April 2015 as a return of capital or as dividend income. The cash payment will be returned by way of a B share/C share scheme. Full details of this B/C share proposal will be sent to shareholders on 24 February 2015.

5. 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 and treasury shares, all of which are treated as cancelled, which were 305.3m (2013: 303.7m).

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 305.7m (2013: 305.5m).

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

	2014	2013
Basic earnings per share	**121.8p**	84.7p
Underlying basic earnings per share	**124.5p**	83.3p
Diluted earnings per share	**121.7p**	84.2p
Underlying diluted earnings per share	**124.3p**	82.8p

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

	2014 **£m**	2013 £m
Underlying earnings attributable to shareholders	**380.0**	253.0
Exceptional items net of related taxation	**-**	10.8
Goodwill impairment	**(8.0)**	(6.6)
Earnings attributable to shareholders	**372.0**	257.2

6. Inventories

	2014	2013
	£m	£m
Land	**1,842.4**	1,636.6
Work in progress	**464.7**	463.5
Part exchange properties	**52.4**	45.5
Showhouses	**48.7**	49.3
	2,408.2	2,194.9

As set out in note 2, the Group conducted a further review of the net realisable value of its land and work in progress portfolio during 2014. This review did not give rise to an exceptional credit or debit to the consolidated statement of comprehensive income (2013: £14.1m credit). A reversal of £9.9m (2013: £22.0m) on inventories that were written down in a previous accounting period and an impairment of land and work in progress of £9.9m (2013: £7.9m) were recognised in the year. 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. Our approach to our net realisable value review has been consistent with that conducted at 31 December 2013.

Net realisable provisions held against inventories at 31 December 2014 were £80.4m (2013: £102.8m).

The key judgements in estimating the future net present 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 2014 review, £102.0m (2013: £139.0m) of inventories are valued at fair value less costs to sell rather than at historical cost.

7. Financial instruments

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

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

	2014	2013
	Level 3	Level 3
	£m	£m
Available for sale financial assets	**201.3**	215.4

Available for sale financial assets

Available for sale financial assets are carried at fair value. The fair value is determined by reference to the rates at which they could be exchanged by knowledgeable and willing parties. Fair value is determined by discounting forecast cash flows for the residual period of the contract by a risk adjusted rate.

There exists an element of uncertainty over the precise final valuation and timing of cash flows arising from these assets. As a result the Group has applied inputs based on current market conditions and the Group's historic experience of actual cash flows resulting from such arrangements. These inputs are by nature estimates and as such the fair value has been classified as level 3 under the fair value hierarchy laid out in IFRS 13: Fair Value Measurement.

Significant unobservable inputs into the fair value measurement calculation include regional house price movements based on the Group's actual experience of regional house pricing and management forecasts of future movements, weighted average duration from inception to settlement of 10 years (2013: 10 years) and discount rate 8% (2013: 8%) based on current observed market interest rates offered to private individuals on secured second loans.

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

8. Reconciliation of net cash flow to net cash

	2014 £m	2013 £m
Increase in net cash and cash equivalents	**174.1**	2.8
Decrease in debt and finance lease obligations	**-**	-
Increase in net cash from cash flows	**174.1**	2.8
Non-cash movements	**-**	-
Increase in net cash	**174.1**	2.8
Net cash at 1 January	**204.3**	201.5
Net cash at 31 December	**378.4**	204.3

9. Analysis of net cash

	2014 £m	Cash flow £m	2013 £m
Cash and cash equivalents	**378.4**	174.1	204.3
Net cash at 31 December	**378.4**	174.1	204.3

10. Retirement benefit assets/obligations

As at 31 December 2014 the Group operated four employee pension schemes, being two Group personal pension schemes and two defined benefit pension schemes. Remeasurement gains and losses in the defined benefit schemes are recognised in full as other comprehensive (expense)/income within the consolidated statement of comprehensive income. All other pension scheme costs are reported in profit or loss.

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

	2014 £m	2013 £m
Current service cost	**2.8**	2.8
Administrative expense	**1.1**	0.7
Pension cost recognised as operating expense	**3.9**	3.5
Interest cost	**18.6**	18.4
Return on assets recorded as interest	**(20.2)**	(18.5)
Pension cost recognised as net finance credit	**(1.6)**	(0.1)
Total defined benefit pension cost recognised in profit or loss	**2.3**	3.4
Remeasurement losses/(gains) recognised in other comprehensive (expense)/income	**41.6**	(6.6)
Total defined benefit scheme loss/(gain) recognised	**43.9**	(3.2)

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

	2014 £m	2013 £m
Fair value of Pension Scheme assets	**506.3**	456.8
Present value of funded obligations	**(506.8)**	(433.3)
Net pension (liability)/asset	**(0.5)**	23.5

11. Principal risks

Risk	Impact	Mitigation
National and regional economic conditions	The housebuilding industry is sensitive to changes in unemployment, interest rates and consumer confidence. Any deterioration in economic conditions may significantly decrease demand and pricing for new homes, which could have a material effect on our business revenues, margins and profits and result in the impairment of asset values. The General Election in 2015 could affect government policy and lead to changes in housing market conditions.	We control the level of build on-site by closely managing our work in progress levels. We carry out extensive due diligence prior to our land investment decisions to capture best returns. We monitor our geographical spread to mitigate the effects of local microeconomic fluctuations. We monitor lead indicators on the future direction of the UK housing market so as to manage our exposure to any future market disruption.
Mortgage availability	Any restrictions in the market availability of mortgages for our customers could reduce demand for our homes and affect revenues, margins and profits.	We monitor Bank of England commentary on credit conditions. We ensure that our investment in land and construction is appropriate for our level of sales and our expectations for market conditions. We monitor the Council of Mortgage Lenders' monthly reports and lenders' announcements for trends in lending.
Health and safety	The health and safety of our employees, subcontractors, home owners and visitors to our construction sites is of paramount importance to us. Accidents on our sites could lead to reputational damage and financial penalties.	We ensure that the Board's health and safety strategy is implemented by our comprehensive management systems and controls, overseen by our Group Health and Safety Department to minimise accidents on our sites.
Regulatory compliance	Our business is subject to extensive and complex laws and regulations relating to planning and the environment. Our obligations to comply with legislation can result in delays causing us to incur substantial costs and prohibit or restrict land development and construction. Non compliance could also result in damage to the Group's reputation.	We operate comprehensive management systems to ensure regulatory compliance. We hold a land bank sufficient to provide security of supply for short to medium term requirements and engage extensively with planning stakeholders.
Resources	Rapid expansion in UK housebuilding has driven an increase in demand for both materials and skilled labour and may cause costs to increase ahead of our expectations.	We closely monitor our build programmes enabling us to manage and react to any supply chain issues. We operate in-house apprentice and training programmes to support our need for increased skilled labour.
Strategy	The Board has adopted its strategy as it believes it is the one most likely to add the greatest sustainable value for shareholders and stakeholders. It is possible that, with time, factors become known that indicate that the strategy currently being pursued is not the most effective or efficient and that alternative strategies may be more appropriate.	The Group's strategy is agreed by the Board at an annual strategy meeting and thereafter regularly reviewed at Board meetings and by the Executive Directors. The Board engages with management and employees to ensure the strategy is communicated and understood and that all employees have a clear understanding of the potential benefits and risks of the strategy.

Statement of Directors' Responsibilities

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

The 2014 Annual Report and Accounts comply with the United Kingdom's Financial Conduct Authority Disclosure and Transparency Rules in respect of the requirement to produce an annual financial report.

We confirm that to the best of our knowledge:

- the Group and Parent Company financial statements, contained in the 2014 Annual Report and Accounts, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

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

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

Nicholas Wrigley	Chairman
Jeff Fairburn	Group Chief Executive
Mike Killoran	Group Finance Director
Nigel Greenaway	South Division Chief Executive
David Jenkinson	North Division Chief Executive
Richard Pennycook	Senior Independent Director
Jonathan Davie	Non-Executive Director
Mark Preston	Non-Executive Director
Marion Sears	Non-Executive Director

By order of the Board

Jeff Fairburn	**Mike Killoran**
Group Chief Executive	Group Finance Director

23 February 2015

The Group's Annual financial reports, half year reports and interim management statements are available from the Group's website at www.corporate.persimmonhomes.com