PERSIMMON
Together, we make a home

Persimmon plc today announces Final Results for the year ended 31 December 2015.

Highlights

- An outstanding performance for the year
- Underlying profit before tax* increased by 34% to £637.8m (2014: £475.0m)
- Full year revenue up 13% to £2.9bn (2014: £2.6bn)
- Legal completions increased by 8% to 14,572 (2014: 13,509) and average selling price increased 4.5% to £199,127 (2014: £190,533)
- Operating margin* increased to 21.9% (2014: 18.4%); with second half improvement to 23.0%
- 24% increase in cash generation pre capital returns to £483m (2014: £388m)
- Return on average capital employed* increased by 30% to 32.1% (2014: 24.6%)
- A further 20,501 plots of land acquired in the year, with 6,739 plots successfully converted from the Group's strategic land portfolio
- Underlying basic earnings per share* increased by 39% to 173.0p (2014: 124.5p)
- Net cash of £570.4m at 31 December 2015 (2014: £378.4m)
- Forward sales ahead at £1.68bn (2015: £1.49bn), an increase of 12%

Long term strategy

- Completion of fourth year of our nine and a half year strategic plan, with performance significantly ahead of original expectations
- Strategy successfully delivering growth - new home legal completions ahead by over 55% since launch of plan in 2012
- Strategy successfully returning surplus capital - £733m, or £2.40 per share, of excess capital returned since launch of plan in 2012
- Strong performance of the business enabling further acceleration of the Capital Return Plan:

    - Cash return of 110p per share to be made 1 April 2016, significantly ahead of the provisionally planned payment of 10p per share
    - Total value of capital to be returned to shareholders increased by c. £860m, or £2.80 per share, over the original plan period to 2021
    - Total value of the Capital Return Plan increased to £2.76bn, or £9.00 per share, a 45% increase from the original plan of £1.9bn, or £6.20 per share set in 2012
    - Remaining total Capital Return Plan payments of £5.50 per share – currently intended to be paid in equal instalments of £1.10 per share over the remaining five years of the Plan period, commencing in 2017

*stated before goodwill impairment

Nicholas Wrigley, Group Chairman, said: "Persimmon delivered an outstanding performance in 2015, supported by improving customer sentiment and a mortgage market which is responding to customer demand.

“It is now four years since we launched our long term strategy focused on growing Persimmon into a stronger, larger business while maintaining capital discipline and delivering robust free cash generation. The Group's ability to grow completion volumes by more than 55% through this period while simultaneously returning £733m of excess capital to shareholders underlines the strength of its operating model.

“Customer activity in the early weeks of the 2016 spring season has been encouraging and today’s further £860m enhancement to the Capital Return Plan to a total of £9.00 per share is a measure of the Board’s confidence in the Group’s future progress.”

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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 1918

Password: Persimmon

Webcast link: http://edge.media-server.com/m/p/tiyogir2

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

CHAIRMAN'S STATEMENT

"Disciplined growth and increased Capital Returns"

Results

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

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

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

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

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

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

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

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

Long term strategy and Capital Return Plan

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

The strategic plan recognised the potential for the business to generate substantial surplus capital should the Group's operational execution be successful. The Board therefore made a long term commitment in early 2012 to deliver £1.9bn (£6.20 per share) of surplus capital to shareholders over nine-and-a-half years to 2021 ("the Capital Return Plan"). The value of the Capital Return Plan was similar to the market capitalisation of the Group at the time the plan was launched. To date £733m, or £2.40 per share, has been returned to shareholders, including the £291m, or 95 pence per share, returned on 2 April 2015.

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

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

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

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

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

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

Board Changes

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

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

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

Outlook

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

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

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

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

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

Nicholas Wrigley
Chairman

22 February 2016

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

STRATEGIC REPORT

"Building homes, creating value"

Strategic update

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

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

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

- Achieve and maintain the optimal scale for each of our regional businesses enabling our land replacement activity to be fulfilled most effectively;

- Prioritise strategic land investment and its conversion into high quality new developments with detailed planning consents to maximise shareholder returns over the long term;

- Disciplined management of the capital employed within the business through the housing cycle and optimisation of the Group's capital structure; and

- Create greater certainty for shareholders regarding the value and timing of returns.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- ***Returns***

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

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

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

- ***Surplus capital***

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

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

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

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

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

* current anticipated profile of payments

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

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

The UK housing market and brand performance

The UK housing market

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

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

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

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

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

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

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

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

Persimmon

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

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

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

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

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

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

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

Charles Church
Charles Church offers executive housing in premium locations across the UK and its market positioning is designed to be complementary to that of the Persimmon brand. Through the second half of 2014 and the current year we have completed a process which has clarified the Charles Church brand offering to the market by eliminating any overlap with Persimmon in the same locations. This process has been assisted by the continued roll-out of the Group's standard house type portfolios for each brand as we have opened new sites, and has resulted in Charles Church

selling a reduced number of smaller homes. As expected this process has reduced the overall number of active outlets offering Charles Church product across the UK by c. 20% to 85 active sites at the end of 2015. We continue to identify great locations where our market research points to strong demand for the Charles Church product and we expect Charles Church site numbers now to stabilise at around this level.

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

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

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

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

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

Westbury Partnerships

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

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

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

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

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

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

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

Space4

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

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

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

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

Operating and financial review

Pricing and Seasonality

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

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

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

Profitability

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

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

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

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

Cash generation, net finance income, and financial assets

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

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

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

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

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

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

Land and construction

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

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

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

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

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

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

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

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

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

Shareholders' equity, treasury policy and related risks

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

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

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

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

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

Our Customers

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

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

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

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

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

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

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

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

Our Environment

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

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

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

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

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

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

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

Our People

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

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

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

We believe that a diverse work force supported by a vibrant merit-based working environment is an important part of the Group's success. We have two female non-executive directors on the

Company's Board and 15 female colleagues in our 150 strong senior management team. Female colleagues comprise 27% of our workforce. We are keen to mentor our talented staff to realise their potential and the Group has a long established policy of promoting from within the business wherever possible.

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

Health and Safety

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

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

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

Our Community

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

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

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

Current trading outlook

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

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

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

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

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

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

Jeff Fairburn Group Chief Executive	Mike Killoran Group Finance Director

22 February 2016

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

PERSIMMON PLC
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2015

	Note	2015 Total £m	2014 Total £m
Revenue		**2,901.7**	2,573.9
Cost of sales		**(2,164.4)**	(2,002.1)
Gross profit		**737.3**	571.8
Other operating income		**11.6**	8.6
Operating expenses		**(122.7)**	(115.1)
Profit from operations before impairment of intangible assets		**634.5**	473.3
Impairment of intangible assets		**(8.3)**	(8.0)
Profit from operations		**626.2**	465.3
Finance income		**22.1**	15.9
Finance costs		**(18.8)**	(14.2)
Profit before tax		**629.5**	467.0
Tax	2	**(107.6)**	(95.0)
Profit after tax		**521.9**	372.0
(all attributable to equity holders of the parent)			
Other comprehensive income/(expense)			
Items that will not be reclassified to profit:			
Remeasurement gains/(losses) on defined benefit pension schemes	8	**7.5**	(41.6)
Tax	2	**(1.1)**	8.3
Other comprehensive income/(expense) for the year, net of tax		**6.4**	(33.3)
Total recognised income for the year		**528.3**	338.7
Earnings per share [i]			
Basic	4	**170.3p**	121.8p
Diluted	4	**166.4p**	121.7p
Non-GAAP measures –			
Underlying earnings per share [ii]			
Basic	4	**173.0p**	124.5p
Diluted	4	**169.1p**	124.3p

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

PERSIMMON PLC
Consolidated Balance Sheet
As at 31 December 2015

	Note	**2015 £m**	2014 £m
Assets			
Non-current assets			
Intangible assets		**221.6**	229.9
Property, plant and equipment		**37.4**	33.4
Investments accounted for using the equity method		**3.0**	3.0
Available for sale financial assets		**177.9**	201.3
Trade and other receivables		**10.1**	8.2
Deferred tax assets		**46.6**	30.3
Retirement benefit assets	8	**18.0**	-
		514.6	506.1
Current assets			
Inventories	5	**2,645.3**	2,408.2
Trade and other receivables		**91.5**	62.7
Cash and cash equivalents	7	**570.4**	378.4
Assets held for sale		**-**	0.9
		3,307.2	2,850.2
Total assets		**3,821.8**	3,356.3
Liabilities			
Non-current liabilities			
Trade and other payables		**(372.6)**	(265.3)
Deferred tax liabilities		**(18.3)**	(17.8)
Partnership liability		**(44.6)**	(47.4)
Retirement benefit obligations	8	**-**	(0.5)
		(435.5)	(331.0)
Current liabilities			
Trade and other payables		**(846.8)**	(731.5)
Partnership liability		**(5.4)**	(5.3)
Current tax liabilities		**(78.3)**	(95.9)
		(930.5)	(832.7)
Total liabilities		**(1,366.0)**	(1,163.7)
Net assets		**2,455.8**	2,192.6
Equity			
Ordinary share capital issued		**30.7**	30.6
Share premium		**9.3**	103.4
Capital redemption reserve		**236.5**	136.7
Other non-distributable reserve		**276.8**	281.4
Retained earnings		**1,902.5**	1,640.5
Total equity		**2,455.8**	2,192.6

PERSIMMON PLC
Consolidated Statement of Changes in Shareholders' Equity
For the year ended 31 December 2015

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

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

PERSIMMON PLC
Consolidated Cash Flow Statement
For the year ended 31 December 2015

	Note	**2015 £m**	2014 £m
Cash flows from operating activities:			
Profit for the year		**521.9**	372.0
Tax charge	2	**107.6**	95.0
Finance income		**(22.1)**	(15.9)
Finance costs		**18.8**	14.2
Depreciation charge		**7.1**	6.2
Impairment of intangible assets		**8.3**	8.0
Share-based payment charge		**11.2**	10.2
Net imputed interest income		**1.3**	8.0
Other non-cash items		**(0.5)**	0.8
Cash inflow from operating activities		**653.6**	498.5
Movements in working capital:			
Increase in inventories		**(232.0)**	(209.1)
(Increase)/decrease in trade and other receivables		**(27.8)**	7.6
Increase in trade and other payables		**196.5**	173.5
Decrease in available for sale financial assets		**35.6**	26.2
Cash generated from operations		**625.9**	496.7
Interest paid		**(4.4)**	(4.6)
Interest received		**1.2**	0.5
Tax paid		**(128.3)**	(96.1)
Net cash inflow from operating activities		**494.4**	396.5
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(11.1)**	(7.8)
Proceeds from sale of property, plant and equipment		**1.3**	-
Net cash outflow from investing activities		**(9.8)**	(7.8)
Cash flows from financing activities:			
Financing transaction costs		**-**	(1.8)
Payment of Partnership Liability		**(2.7)**	(2.5)
Share options consideration		**1.2**	3.6
B Share Redemption	3	**(99.8)**	(60.0)
Dividends paid	3	**(191.3)**	(153.9)
Net cash outflow from financing activities		**(292.6)**	(214.6)
Increase in net cash and cash equivalents	7	**192.0**	174.1
Cash and cash equivalents at the beginning of the year		**378.4**	204.3
Cash and cash equivalents at the end of the year	7	**570.4**	378.4

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 2015.

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 2015 or 2014, but is derived from those accounts. Statutory accounts for 2014 have been delivered to the Registrar of Companies, and those for 2015 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. A small number of reclassifications have been made to the prior year comparatives in the Cash Flow Statement in order to more clearly present non-cash movements. These do not impact cash generated from operations.

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 2015 to shareholders on 14 March 2016.

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 9. 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 2015:

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

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

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

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

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

2. Tax

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

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

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

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

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

In addition to the amount recognised in profit or loss, deferred tax of £1.1m was charged directly to other comprehensive income/(expense) (2014: credit of £8.3m), and £13.7m was recognised in equity (2014: £8.5m).

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

3. Dividends/Return of capital

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

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

4. 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 any treasury shares, all of which are treated as cancelled, which were 306.4m (2014: 305.3m).

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue adjusted to assume conversion of all potentially dilutive ordinary shares from the start of the year, giving a figure of 313.6m (2014: 305.7m).

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

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

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

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

5. Inventories

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

The Group conducted a further review of the net realisable value of its land and work in progress portfolio during 2015. Our approach to this review has been consistent with that conducted at 31 December 2014. This review gave rise to a reversal of £9.8m (2014: £9.9m) of provision on inventories that were written down in a previous accounting period and an impairment of land and work in progress of £9.8m (2014: £9.9m). This reversal/charge arose due to forecast selling prices and development costs on individual sites being higher or lower than previously estimated by management as a result of changing conditions, and/or development plans. Net realisable provisions held against inventories at 31 December 2015 were £62.9m (2014: £80.4m).

The key judgements in estimating the future net realisable value of a site were the estimation of likely sales prices, house types and costs to complete the developments. Sales prices and costs to complete were estimated on a site by site basis based upon existing market conditions. If the UK housing market were to improve or deteriorate in the future then further adjustments to the carrying value of land and work in progress may be required. Following the 2015 review, £54.4m (2014: £102.0m) of inventories are valued at fair value less costs to sell rather than at historical cost.

6. 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:

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

Available for sale financial assets

Available for sale financial assets represent shared equity loans advanced to customers secured by way of a second charge on their new home. They are carried at fair value. The fair value is determined by reference to the rates at which they could be exchanged by knowledgeable and willing parties. Fair value is determined by discounting forecast cash flows for the residual period of the contract by a risk adjusted rate.

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

Significant unobservable inputs into the fair value measurement calculation include regional house price movements based on the Group's actual experience of regional house pricing and management forecasts of future movements, weighted average duration of the loans from inception to settlement of 10 years (2014: 10 years) and discount rate 8% (2014: 8%) based on current observed market interest rates offered to private individuals on secured second loans.

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

7. Reconciliation of net cash flow to net cash and analysis of net cash

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

8. Retirement benefit assets/obligations

As at 31 December 2015 the Group operated four employee pension schemes, being two Group personal pension schemes and two defined benefit pension schemes. Remeasurement gains and losses in the defined benefit schemes are recognised in full as other comprehensive income/(expense) within the consolidated statement of comprehensive income. All other pension scheme costs are reported in profit or loss.

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

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

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

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

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

Viability Statement

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

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

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

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

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

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

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

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 2015 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 2015 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
David Jenkinson	Group Managing Director
Nigel Greenaway	South Division Chief Executive
Richard Pennycook	Senior Independent Director
Jonathan Davie	Non-Executive Director
Mark Preston	Non-Executive Director
Marion Sears	Non-Executive Director
Rachel Kentleton	Non-Executive Director

By order of the Board

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

22 February 2016

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