PERSIMMON
Together, we make a home

Persimmon plc today announces Final Results for the year ended 31 December 2016.

Highlights

- Focus on disciplined high quality growth delivers excellent full year performance
- Underlying profit before tax* increased by 23% to £782.8m (2015: £637.8m)
- Full year revenue up 8% to £3.14bn (2015: £2.90bn)
- Legal completions increased by 599 new homes to 15,171 (2015: 14,572) and average selling price increased by 3.8% to £206,765 (2015: £199,127)
- Operating margin* increased to 24.8% (2015: 21.9%); with second half improvement to 25.7%
- 41% increase in cash generation pre capital returns to £681m (2015: £483m)
- Return on average capital employed** increased by 23% to 39.4% (2015: 32.1%)
- A further 18,709 plots of land acquired in the year, with 11,268 plots successfully converted from the Group's strategic land portfolio
- Underlying basic earnings per share* increased by 19% to 205.6p (2015: 173.0p)
- Net cash of £913.0m at 31 December 2016 (2015: £570.4m)
- Forward sales ahead at £1.89bn (2016: £1.74bn), an increase of 9%

Long term strategy

- Completion of fifth year of our ten year strategic plan, with performance well ahead of original expectations
    - Successfully delivering growth - new home legal completions ahead by over 60% since launch of plan in 2012
    - Successfully returning surplus capital - £1,071m, or £3.50 per share, of excess capital returned since launch of plan in 2012
- Strong performance of the business enabled the Capital Return Plan to be increased by 45% to £2.76bn or £9.00 per share in February 2016, together with a further acceleration of the payment schedule.
- The Group's continued outperformance in 2016 is enabling a further increase in the Capital Return Plan to be announced today, with an additional payment of 25 pence per share, increasing the total value of the Plan by c. £77m to £9.25 per share. This new 25 pence per share payment will be made on Friday 31 March 2017 as a first interim dividend in respect of the financial year ended 31 December 2016.
- In addition the Board confirms that the scheduled capital return of 110 pence per share will be paid on 3 July 2017 as a second interim dividend in respect of the financial year ended 31 December 2016.

* stated before goodwill impairment of £8.0m (2015: £8.3m)
** 12 month rolling average and stated before goodwill impairment

Nicholas Wrigley, Group Chairman, said: "Persimmon continued to perform strongly in 2016, meeting market demand with increased output and delivering disciplined high quality growth.

“The Group has now completed the first five years of its long term strategy which remains focused on growing Persimmon into a stronger, larger business while maintaining capital discipline and robust free cash generation. The strength of the Group’s operating model is demonstrated by our ability to grow completion volumes by more than 60% and investing c. £2.6bn of cash in land through this period while simultaneously returning over £1.0bn of excess capital to shareholders.

“Customer activity in the early weeks of the 2017 spring season has been encouraging. The further increase in the Capital Return Plan demonstrates the Board’s confidence in the Group’s prospects.”

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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 1912

Password: Persimmon

Webcast link: http://edge.media-server.com/m/p/57fdunog

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

CHAIRMAN'S STATEMENT

Disciplined high quality growth

Results

Persimmon has delivered a strong performance in 2016, with revenues increasing by 8% to £3,136.8m (2015: £2,901.7m) and profit before tax increasing by 23% to £774.8m (2015: £629.5m). The Group delivered 15,171 homes to customers across the UK, an increase of 599 on last year. The Group's average selling price of £206,765 was 3.8% higher (2015: £199,127).

The Group has continued to execute its long term strategic plan, concentrating on delivering disciplined high quality growth. Key to supporting this growth is opening new development sites swiftly following receipt of an implementable detailed planning consent and then progressing a build programme to secure rates of new home construction to meet market demand.

Persimmon opened 255 new sales outlets during 2016 (2015: 252). In line with expectations, legal completions from these new sites supported a further reduction in the Group's land cost recoveries during the year. These lower land cost recoveries and firm control over development costs resulted in underlying gross margins increasing by 240 basis points year on year to 27.8% (2015: 25.4%).

Underlying operating margin* of 24.8% was 290 basis points higher than the prior year (2015: 21.9%). The Group's growth towards optimal scale in each of its regional markets yielded operating efficiency benefits which added 50 basis points to the Group's operating margin. Underlying operating profit* of £778.5m was 23% ahead of last year (2015: £634.5m). The increase of 695 homes sold in the second half of the year to 7,933 homes (H116: 7,238) supported the further 190 basis point improvement in the second half operating margin* to 25.7% (H116 23.8%).

Underlying profit before tax* of £782.8m increased by 23% year on year (2015: £637.8m) delivering underlying basic earnings per share* of 205.6 pence which is 19% higher than last year's 173.0 pence.

In 2016 the Group generated total shareholder equity value per share before capital returns of 202 pence, an increase of 12% over the prior year (2015: 181 pence per share). This additional equity value was generated through the excellent trading performance combined with the Group's strong capital discipline during the year.

The Group's strategy prioritises cash efficiency and capital discipline through the cycle. As a result our liquidity remains strong. We generated £681m of free cash before capital returns during the year (2015: £483m) whilst also acquiring 18,709 plots of new land across 86 high quality locations. Our strategic land portfolio contributed 11,268 plots in 41 locations to this total.

The Group held £913.0m of cash at the end of the year (2015: £570.4m). Return on average capital employed** was 39.4% for 2016, an improvement of 23% over the previous year (2015: 32.1%).

Long term strategy and Capital Return Plan

The Group's long term strategy, launched in February 2012, 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. We are committed to taking opportunities to increase output in each of our regional markets to meet market demand and to enable us to achieve optimal sustainable scale for each of our 29 house building businesses. This optimal scale is based upon disciplined investment in land and work in progress, at a pace and quantum that optimises trading efficiencies and land replacement activity whilst minimising financial risk. Over the last two years we have opened five new house building businesses to support the growth of the Group taking advantage of market share opportunities to do so. Having completed the first five years of the plan, Group operational performance is well ahead of our original expectations.

Our strategic plan recognises the potential of the Group to generate substantial surplus capital should its 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 ten years to 2021 ("the Capital Return Plan"). The value of the Capital Return Plan was similar to the market capitalisation of the Group at the time the plan was launched.

Given the strong progress the Group has made, the Board announced an acceleration of, and an increase to, the Capital Return Plan on 23 February 2016. Minimising financial risk and retaining flexibility for reinvestment in the business remain key priorities. The Board is of the firm belief that the prioritisation of capital discipline through the housing cycle is critical to the successful delivery of sustainable, superior shareholder value and, therefore, maintained the original long term Capital Return Plan period commitment to 2021.

Accordingly, the Company accelerated the payment of a cash return of £338m, or 110 pence per share, as an interim dividend for 2015 which was paid on 1 April 2016. This was an increase of 100 pence per share on the provisional 10 pence per share payment proposed under the previous Plan schedule, and an increase of 15 pence per share, or 16%, on the 95 pence per share paid in 2015. To date £1.1bn, or £3.50 per share, has been returned to shareholders.

In addition, on 23 February 2016 the Board increased the total value of capital to be returned to shareholders within the original Capital Return Plan period by c. £860m, or £2.80 per share, over the plan period to 2021. The total value of the Capital Return Plan therefore increased to c. £2.76bn, or £9.00 per share, an increase of 45% over the original Plan value.

The future Capital Return Plan payment of £5.50 per share was set to be paid in equal instalments of £1.10 per share over the remaining five years of the Plan period, commencing in early July 2017.

The Board has completed its review of the availability of surplus capital of the Group and is pleased to announce a further increase in the Capital Return Plan of 25 pence per share to be paid on 31 March 2017. This additional payment of surplus capital will be a first interim dividend in respect of the year ended 31 December 2016 paid to shareholders on the register on 10 March 2017. In addition, the Board is pleased to confirm the scheduled payment of 110 pence per share will be made on 3 July 2017 as a second interim dividend with respect to the financial year ended 31 December 2016, to shareholders on the register on 16 June 2017.

As a result the Capital Return Plan to 2021 has now been increased by 49% to £9.25 per share.

As previously stated, the actual value of the surplus capital to be returned to shareholders in future years will continue to be assessed each year after due consideration of the appropriate balance between the current financial position of the Group and its land bank, the housing market cycle and land market conditions, and wider-ranging risks and external conditions.

Board Changes

The Board announced Simon Litherland's appointment as a Non-Executive Director of the Company on 23 February 2017 and looks forward to him joining the Group on 3 April 2017.

Outlook

The UK new build housing market remains confident with customer demand for new homes supported by compelling mortgage products. We are pleased with customer activity in the first eight weeks of the 2017 spring season. Visitors to our sites are c. 7% ahead year on year. We have experienced a normal week on week strengthening of the market on entering the 2017 spring selling season.

Despite particularly demanding comparatives given our excellent trading performance through 2016, we are in a good position to deliver further growth in 2017. Current total forward sales, including legal completions taken so far in 2017, are £1.89bn, 9% ahead of the previous year (2016: £1.74bn).The Group's overall private reservation volumes in the forward order book are 6% ahead of last year allowing for the first eight weeks private sales rate per site being 4% lower at this point. Cancellations remain low. Over the first few weeks of the year we have achieved some modest selling price improvement.

Disciplined growth in mortgage lending to customers seeking to buy a newly built home will support further increases in construction. However, to increase new home supply the planning system will need to allow the release of more land for development by the industry. We are encouraged by the Government's action in continuing to seek improvements in the planning system with the consultation measures included in the recent Housing White Paper. By opening new sales outlets in increasing numbers, together with investing in training skilled trades people, the industry will be able to expand output and fulfil the housing needs of local communities across the UK.

As a result of substantial investment in replacement land over the last few years we have maintained the strength of our sales outlet network whilst increasing our sales volumes by over 60% since the launch of our new strategy in 2012. The Group started the year with 390 active sites, a network which is c. 4% stronger than at the same point last year. We are working hard to make an early start on as many new development sites as planning conditions will allow. We have opened 51 new sales outlets so far this year. We anticipate local authorities will continue to support the delivery of greater housing supply in line with their obligations under the National Planning Policy Framework and their planned five year housing needs. Persimmon will continue to work in partnership with all stakeholders to maintain the strength of our sales network and to build more homes to meet customer demand. Our significant investment in work in progress carried forward into the new year provides a platform for further volume growth.

We remain keen to invest in new land in the open market where terms are appropriate whilst remaining mindful of the risks associated with the uncertainties arising from the UK's decision to leave the EU. In addition, looking ahead, land from our strategic portfolio is expected to provide an increasing proportion of the Group's building plots with detailed consent. We will ensure that the Group retains sufficient cash resources to take advantage of these attractive market opportunities as they arise.

The performance of the UK economy has been resilient despite some increase in uncertainty associated with the Government's ongoing implementation of the UK's exit from the EU. Current market conditions provide a supportive backdrop for the Group to fulfil the needs of the local communities that we serve by investing in local infrastructure and housing delivery. 2016 represented another year of major achievement for Persimmon which reflects the hard work and dedication of management, all our staff, our contractors and suppliers. I thank them all for their efforts. The Board remains confident of the Group's further progress.

Nicholas Wrigley
Chairman
24 February 2017

* stated before goodwill impairment of £8.0m (2015: £8.3m)
** 12 month rolling average and stated before goodwill impairment

"Growth and capital discipline through the cycle"

Strategic update

Persimmon's strategy, launched in 2012 is designed to create superior sustainable shareholder value over the long term through the housing cycle. The Group is focused on delivering high quality growth to meet customer demand by building well-designed homes of quality in places where people wish to live and work.

The Group has 29 separate house building businesses operating across the UK. Each of the management teams have shared aims and values grounded in a strong understanding of the basics of good house building. Over many years they have worked closely with local communities to design and deliver developments that provide the new homes and associated infrastructure which make thriving local communities possible. Investing in high quality land, designing and building good quality homes and helping to create sustainable communities in desirable locations will remain our focus. Persimmon is proud to make such an important contribution to the future prosperity of its local markets.

The success of our strategy is dependent on optimising the execution of the key elements of our business model:

- Ensure our land replacement activity is of the highest standard supported by achieving the optimal scale for each of our regional businesses;
- Strategic land investment and its conversion into high quality developments with detailed planning consents is prioritised to maximise shareholder returns over the long term;
- Optimise the Group's capital structure with disciplined management of the capital employed within the business through the housing cycle; and
- Create greater certainty for shareholders regarding the value and timing of returns.

The successful execution of the Group's operational objectives in the context of this strategy, whilst minimising operational and financial risks, will deliver surplus capital across the housing cycle. The strategy is designed to generate the maximum sustainable returns and added value for our shareholders in compensation for accepting the principal risks that we face.

The Group's 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 ten years ending in 2021. On 23 February 2016 this commitment was strengthened when the total value of the Capital Return Plan was increased 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.

As announced on release of these results the Board has decided to increase the Capital Return Plan by a further 25 pence per share, or c. £77m, to a total of £9.25 per share, which now represents a 49% improvement over the original Capital Return Plan value. This additional 25 pence per share return is to be paid on 31 March 2017.

The Group's cash generation has been excellent. This has supported significant investment in new land of over £3.1bn, bringing over 120,000 new plots into the Group's land bank since the global financial crisis in 2008. In addition we have increased our construction activity significantly to support the expansion of the number of new homes delivered to customers by over 60% since the launch of the Group's strategy in 2012. This substantial growth has been achieved whilst also returning £1.07bn of surplus capital to shareholders, well ahead of the original Capital Return Plan schedule.

Persimmon has delivered further significant progress in 2016 as follows:

- ***Growth***

  Persimmon has increased its revenues year on year by 8% to £3.14bn, legal completions of new home sales increasing to 15,171 in total, 599 homes higher than last year.

  Our strategy is to secure and maintain a sustainable market share in each of our regional markets. To support the delivery of high quality growth we opened two new businesses at Launceston in Cornwall and Perth in Scotland on 4 January 2016. In addition, we opened an additional new business in Mansfield, north of Nottingham on 2 January 2017. In total we have invested in five new businesses over a period of just over two years to strengthen the Group's infrastructure for the delivery of increased new home output across the UK.

  Over the long term 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 2016 the Group achieved a weekly sales rate of 0.72 (2015: 0.67), an increase of c. 7% year on year.

  Achieving disciplined growth in the scale of our house building operations to support further advancement in the Group's cash generation and returns remains a key focus.

- ***Momentum***

  Total forward sales at 24 February 2017, including legal completions so far this year, increased to £1.89bn, 9% stronger than at the same point last year (2016: £1.74bn).

- ***Resilience***

  The effectiveness of the Group's operations depends upon the skills and expertise of all our employees and subcontractors and in particular the teams engaged in land sourcing and acquisition, design, site management and construction, sales and customer care. We continue to invest in our employees, their skills and the supporting systems and processes to help the teams achieve success.

  The investment in our land, planning and design teams is supporting the Group's land replacement activity, with a keen focus on opening up new development sites as quickly as possible. We opened 255 new sales outlets during 2016, slightly ahead of the prior year. Achieving implementable detailed planning consents remains a challenge. However, we have an excellent pipeline of new opportunities approaching the point at which a planning consent should be secured which will support the Group opening a further 90 new sales outlets in the first half of 2017.

  Over the five years since the launch of the Group's new strategy we have opened almost 1,000 new sales outlets. The Group currently has a strong network of c. 390 sites across all regions of the UK (2015: c. 375). The Persimmon team's skills, expertise, and hard work make the Group's operations strong and resilient.

- ***Asset strength***

  The Group owned c. 52,800 plots of land which have an implementable detailed planning consent at 31 December 2016 (2015: c. 54,300 plots). This land bank provides the Group with the necessary surety of supply over the short term to support our planned output. As local planning authorities complete their land allocations in 2017 to fulfil their local housing needs over the next five years in line with requirements of the National Planning Policy Framework, we will work to secure planning consents to support the Group's future growth in partnership with these local planning authorities and other stakeholders.

  We own a further c. 18,000 plots of land (2015: c. 8,700 plots) which are progressing towards detailed consent at this point. As we work through the specific planning requirements and conditions to enable a start on site these plots will feed into our current land bank over future years.

We are encouraged by the Government's plans to continue to improve the planning system with the recent Housing White Paper containing some further opportunities for simplification and efficiencies. These changes recognise that delivering new sites for construction swiftly remains a key challenge for the industry. By increasing the number and diversity of new residential development sites the Government is attempting to not only reduce the chronic under supply of new homes across the country but is also focused on delivering these new homes in locations where people prefer to live and work. For our part we support these actions and will focus the Group's efforts on delivering new housing developments as quickly as possible to these communities to fulfil local housing needs.

Complementing the Group's owned land bank is land that we control under exchanged contracts but which have yet to reach a satisfactory condition to allow purchase completion. Unfortunately we continue to experience significant delays to achieving substantive progress in many of these situations which prevent this land being released for a construction start. The c. 26,400 controlled plots (2015: c. 30,700 plots) are at an earlier stage in the planning journey and 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 2016 the Group was successful in acquiring 18,709 plots of new land in 86 locations, of which 11,268 plots were converted from our strategic land portfolio in 41 locations. Since the launch of the new strategy, we have successfully converted c. 38,700 plots from our strategic land portfolio and invested in a further c. 8,500 acres of strategic land. At 31 December 2016, of the plots owned in our consented land bank together with the plots under our control, c. 48% were previously within the Group's strategic land portfolio.

We remain confident of further significant success in achieving detailed planning permission for our strategic land over the next few years as we continue to invest in promoting their sustainable qualities. We will ensure we remain disciplined in retaining the appropriate liquidity in the business to successfully support the delivery of both the housing numbers and the associated infrastructure to local communities. Our commitment to serving our markets is reflected in the scale of our land investment activity since the launch of the Group's strategy in 2012. Over the last five years we have acquired over 98,500 plots of land to support the growth of the Group whilst spending c. £2.6bn.

- ***Returns***

Persimmon's return on average capital employed* ("ROACE") for 2016 of 39.4% improved by 23% from 32.1% in 2015.

This substantial improvement in returns was supported by the 13% growth in underlying operating margin** to 24.8% in 2016 (from 21.9% in 2015). Underlying operating profits** for the year increased by 23% to £778.5m (2015: £634.5m). The continued improvement in the underlying margins of the Group is supported by the reduction in land cost recoveries on new home legal completions in the year. The quality of the new land replacement achieved in 2016 has continued to embed further high quality returns in the Group's forward land bank which will be released over future years.

The Group's continued focus on managing its construction programmes to deliver the new homes reserved by our customers promptly resulted in an industry leading asset turn, with work in progress representing just 20% of 2016 revenues. This capital efficiency is supportive of higher levels of returns.

The Group delivers strong liquidity reflecting our focus on the cash efficiency of our key business processes. The free cash generated by the business before capital return and before land creditor movement in 2016 was £711.3m, or 231 pence per share (2015: £383.7m, or 125 pence per share). Since the launch of the new strategy the Group has generated over £1.96bn, or c. 640 pence per share, of free cash before capital returns.

The Group's return on equity for 2016 increased by 7% to 24.1% (2015: 22.5%). The Group's aim of growing the business to meet market demand delivered a 20% increase in post tax profit in the year whilst our focus on capital discipline, supported by the Capital Return Plan, contained the accretion in equity value to 11% to £2.74bn (2015: £2.46bn).

- ***Surplus capital***

  On 23 February 2016 the Directors announced the acceleration of the fourth instalment under the Capital Return Plan of 110 pence per share, amounting to £338m, which was paid on 1 April 2016.

  At the same time, the Directors increased the Capital Return Plan by £2.80 per share, or c. £860m, a c. 45% increase in total value. As a result £5.50 per share remained to be paid over the last five years of the Capital Return Plan to 2021. This value is to be paid in equal instalments over the remaining five years of the Plan period.

  As explained in the Chairman's Statement, the Directors are further increasing the Capital Return Plan with a payment of 25 pence per share, or c. £77m to be paid on 31 March 2017. This payment will be a first interim dividend for the 2016 financial year. The Board has also confirmed that the scheduled capital return of £1.10 per share will be paid as a second interim dividend for the 2016 financial year on 3 July 2017. We will not be paying a final dividend for the 2016 financial year.

  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 paid
	31 March 2017	-	25
30 June 2017	3 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	925

  * current anticipated profile of payments

  We will continue to review future Capital Return 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

In 2016 the new build housing market experienced continued recovery in industry output, supported by good levels of customer confidence and strong support from a disciplined mortgage market.

The market in the first half of the year was supported by the continuation of low interest rates, healthy employment levels and some improvement in real disposable household incomes which provided positive conditions for the market. We experienced the traditional seasonality of demand with a confident spring sales market. There was a substantial increase in overall market activity in February/March as investors pulled forward purchase decisions in anticipation of the tax changes implemented from early

April. However, whilst this did move some new build demand forward to the first quarter of the year, trading continued to outperform the prior year during the run up to the EU referendum on 23 June 2016. This was achieved despite strong comparatives in the prior year when confidence recovered after the General Election in May 2015.

Despite some understandable caution being exercised by consumers and corporates alike during the period ahead of the EU referendum, the result created an immediate and significant uncertainty in the markets. However, the vast majority of the Group's customers remained focused on exchanging contracts and completing their new home purchases. As a result we were able to increase the number of new homes sold in the first half of the year by 383 homes to 7,238 legal completions, a 6% increase year on year. In addition we were able to carry forward a similar value of forward sales into the second half as at the same point last year at £1.36bn.

Mortgage approvals reduced during the summer weeks in line with normal seasonal activity levels whilst markets regained their composure as the performance of the UK economy remained resilient. Our sales through the summer weeks were strong, supported by the sales release of 35 new outlets for which we had advanced build in response to early indications of strong levels of customer interest. As always, we ensured we had an appropriate number of plots released for sale on existing sites to ensure customers had a good choice of house types available whilst remaining mindful of fulfilling their expectations for acceptable construction delivery dates. In addition, the cut in Bank Rate to 0.25% by the Bank of England on 4 August 2016 together with the introduction of a package of measures to support growth in the economy, including the Term Funding Scheme, provided further support to the market.

As we moved into the autumn we experienced the usual seasonal increase in demand. Mortgage lenders provided robust support to customers with compelling mortgage offers. Whilst overall mortgage approvals were slightly weaker than for 2015 through the autumn our average weekly private sales rate for the second half of the year was c. 15% stronger year on year. We believe that the greater availability of good quality newly built homes, together with access to the Government sponsored Help to Buy shared equity scheme for first time buyers, has led to the new build housing market increasing its market share of overall housing transactions relative to the second hand market. We believe the Group's focus on house types that appeal to both first time buyers and first time movers within the mix of homes offered for sale on our typical developments provides strong support for our site activity and greater confidence for our investment in build. The recent confirmation of the duration of the existing Help to Buy scheme to 2021 in the Housing White Paper together with the commitment for early consideration of the future of the scheme provides important visibility for the industry. Affordability of newly built homes remains very attractive when compared to the cost of renting an equivalent house in a similar location.

The industry's two main challenges to delivering further expansion of new build housing volumes remain opening new sales outlets as swiftly as possible in increasing numbers together with resourcing sites with the appropriate level of skilled labour to support increased build activity.

In 2016 we were successful in opening 255 new sales outlets, a similar number to the prior year. However, as we have seen over recent years, our active outlet network has remained at similar levels at c. 380 sites. Securing implementable detailed planning consents for new land parcels remains a challenging and time consuming process, even after the principle of residential development has been achieved on securing an outline planning consent. Measures contained within the Neighbourhood Planning Bill and the Government's recent Housing White Paper should lead to some progress being made. We will continue to work with all stakeholders to identify and secure further opportunities to improve the efficiency of the planning system at the local level which will allow an earlier start of construction activity on site.

Achieving an increase in the number of separate locations where land is allocated for residential development by local planning authorities is an important and necessary step towards achieving the required increase in active outlet numbers across the industry. In turn this will allow the industry to increase the numbers of new homes built and sold to meet this local demand from these increased site locations. We hope that this platform is secured by local planning authorities on identifying the appropriate land release within their five year plans as required by the National Planning Policy Framework.

We have worked hard to increase our rate of new home construction despite the availability of skilled labour remaining challenging during the period. The Board remains committed to increasing its investment in training both trade apprentices in the necessary site skills and graduate trainees across all functions in the business to support higher sustainable levels of output. We are pleased with the progress of our “Combat to Construction” initiative which provides re-training opportunities for service personnel on leaving the armed forces. Our complementary “Upskill to Construction” initiative is also supporting mature trainees to gain the required construction skills across the country. We look forward to utilising the Government’s new Apprenticeship Levy from its introduction in April this year to provide stronger support to our skills training initiatives with the objective of delivering increasing numbers of newly trained employees to support the desired expansion in output.

The Group has continued its drive to improve productivity and secure efficiency improvements to mitigate some of the pressures resulting from the desire to increase build rates on site. Greater visibility of anticipated build completion dates and prompt delivery of new homes to our customers, combined with active management of site resourcing and construction programmes, is helping to improve the progress of our development activities. Greater utilisation of our core Group house types as new sites open is also helping to secure increased production, particularly when supported by our Space4 modern method of construction processes. During the current year we plan to deploy new management tools to assist site work flow to help achieve further site efficiencies and support productivity gains.

The availability of the Government’s Help to Buy scheme remains an important facility supporting greater access and increased participation of first time buyers in regional new build housing markets. Mortgage lenders continue to support this 20% shared equity loan scheme with very competitive interest rates, with Help to Buy mortgage products remaining the most attractive opportunity for customers to buy a new home. During 2016 we sold 6,970 new homes to customers who have taken advantage of the scheme, 5,852 in England, and 1,118 in Wales and Scotland, where we have seen good take up of the equivalent shared equity products.

We welcome the introduction of the Government’s “Starter Homes” initiative as outlined in the recent Housing White Paper. We will be focusing on identifying early opportunities to contribute to this extension of affordable housing tenures to local communities where appropriate.

During 2016 our two private sale brands, Persimmon and Charles Church, delivered strong performances in their regional markets.

Persimmon

The Persimmon brand delivers traditional family housing to the private owner occupier market in locations where customers wish to live and work. Total revenues for Persimmon increased by 12% over last year to £2,242m (2015: £2,005m).

Reflecting Persimmon’s market positioning on sites across all regions of the UK, the brand continues to offer an extensive choice of new homes at affordable prices. Persimmon’s average selling price of £205,597 for 2016, increased 3.0% over the prior year (2015: £199,661). We remain focused on delivering homes that provide good affordability, supporting greater access to the housing market for customers who have the opportunity to own their own home. For the Group as a whole, just under 50% of our total private market sales were delivered at prices of less than £200,000.

In line with the Group’s strategy we have improved our build rates and successfully increased legal completion volumes by 9%, or by 863 new homes, to 10,906 for the year (2015: 10,043). This was the main driver of the growth in revenues for Persimmon. Our focus on the first time buyer and first mover segments of the market, with attractively designed Group house types that customers have found compelling to buy whilst taking advantage of the Government sponsored Help to Buy scheme, has supported this expansion in output.

Persimmon generated 43% of legal completion volumes and 51% of revenues from our southern regional markets with an average selling price for the year of £243,858 (2015: £237,786). This southern regional market average selling price was 38% higher than that of our northern regional markets of £176,890 (2015: £170,388). The highest average selling price was again achieved by our Shires market at £281,252 (2015: £268,536). Good volumes of sales were delivered from higher value sites at

Harborne and Leamington, south of Birmingham and Coventry respectively, and at The Boulevards at East Tilbury. The North East market delivered the lowest average selling price for the year at £163,777 (2015: £159,173) with sites such as Portland Park, Ashington and The Hawthorns, Hartlepool, achieving higher volumes of sales at lower price points to first time buyers.

For the first half Persimmon's legal completion volumes increased by 13% (585 homes) over last year and were up 5% (278 homes) in the second half, resulting in growth of 9% (863 homes) for the year as a whole. Growth in the second half appears more muted but is largely down to particularly strong comparatives which were buoyed by strong sales post the May General Election in 2015. In fact, second half sales for Persimmon in 2016 were 620 units, or 12%, stronger than for the first half. Second half sales benefited from additional sites being released for sale through the summer following the EU referendum for which we had advanced build in response to indications of strong demand. Persimmon sales rates reflected a confident market throughout the second half.

Across our regional markets the highest volumes were secured in our Shires and Scottish markets with 1,539 and 1,492 legal completions respectively. In addition, our North East, Midlands and Western markets also produced very strong sales with each delivering over 1,250 legal completions. The four new businesses we opened in 2015 and 2016 all made a good start to trading and have made solid contributions to Persimmon's growth. We will pursue this controlled growth to achieve a sustainable market share for each of our regional businesses in line with the Group's strategy.

Competition in the land market has remained disciplined for the improved land supply resulting from the consistent application of the planning regulations within the National Planning Policy Framework. Through 2016 we remained keen to invest in new land offering compelling returns, whilst adopting a cautious and controlled approach given we remain wary of the risks and increased uncertainties associated with the EU referendum result. The Group is in a strong position to remain selective in its land replacement activities given the strength of its existing asset platform.

Persimmon owned and controlled 66,382 plots in its forward consented land bank at the end of 2016 having acquired 14,321 plots of new land during the period. Of these total plots, 36,855 plots have an implementable planning consent. All these sites are under construction. This land bank represents c. 3.4 years of forward supply at 2016 output levels. We remain keen to sell and develop all these sites as promptly as market conditions allow, asset efficiency and higher levels of return on capital employed being key deliverables for all our operating companies.

The Group had another successful year in securing planning consents for residential development from its strategic land portfolio. We delivered 8,403 plots into our owned and controlled land bank within the Persimmon business over 36 sites, which represents 77% of the plots consumed by legal completions in the year. We secured notable consents for 300 plots at Rainham, in South East which includes a Westbury Partnership housing allocation of 75 plots, and for 450 new homes at Lichfield in West Midlands, which we intend to triple brand with 80 plots allocated for Charles Church and 139 homes for Westbury Partnerships.

Our joint developments with St Modwen also delivered good growth from the eight active sites under construction, selling 172 new homes during the year (2015: 331 legal completions).

Charles Church

Charles Church delivers executive housing in premium locations across the UK. We ensure that its market positioning is complementary to that of Persimmon by differentiating the house types and specification offered by the two brands in the same locations. Utilisation of the distinctive Group house types for each brand as we have opened new sites has resulted in Charles Church selling a reduced number of smaller homes. This brand positioning has continued to reduce the overall number of active outlets offering Charles Church product across the UK to 76 active sites at the end of 2016 (2015: 85). We remain keen to invest in these higher value premium locations where our market research points to strong demand for the Charles Church product which will support higher returns on invested capital due to the stronger sales rates.

Total revenue for 2016 of £657m was 3% lower than the prior year (2015: £676m). The Charles Church average selling price of £321,209 increased by 13.2% (2015: £283,690) supported by 55% of its sales being completed in more southern markets which experienced good pricing conditions through the year. Charles Church experienced particularly strong demand on sites at The Coppice, Weston-Super-Mare, at Castle Mead in Trowbridge and at The Croft, Burgess Hill, north of Brighton.

Total legal completion volumes for Charles Church of 2,047 new homes reduced by 335 units compared with last year largely due to the reduced number of active sales outlets. The reduction in legal completions was higher in the first half of the year (by 224 new homes) due to the slightly later timing of new site openings. Legal completions in the second half of the year for Charles Church were 101 new homes higher than for the first half reflecting the stronger spring sales season, sales reservations taken in the second quarter of the year largely being delivered in the second half.

Larger sites may allow us to provide a differentiated offer to deliver both Persimmon and Charles Church branded new homes in a location assisted by the Group core house types for each brand. By using this dual branding opportunity we are able to optimise our sales rates from the site and achieve a swifter asset turn by attracting customers from across the widest range of the home buying public. This allows our site operations to run more efficiently with consequential benefits being captured across the business, from continuity of site resourcing and build programme management, to health and safety compliance and standards of customer care. We have recently established dual branding with two sales offices at Cheltenham where we plan to sell 250 Persimmon homes and 61 Charles Church homes, and similarly at Frome in Wiltshire on a scheme for 450 new homes where 101 Charles Church homes are available.

Charles Church acquired 1,861 new plots in 2016 and held 11,805 plots in its forward consented land bank at 31 December 2016. Of these total plots 6,720 have an implementable detailed residential development consent which provides c. 3.3 years of forward supply at 2016 sales volumes. In line with our long term operational strategy for the Charles Church business it will retain a shorter land bank than that held for Persimmon. This allows Charles Church to deliver a strong return on capital whilst accommodating the slower sales rate typically associated with the larger and more highly specified Charles Church homes.

Within the Charles Church business 617 plots were converted from the strategic land bank on 5 sites, representing 30% of 2016 legal completions. This success includes a consent at Downton, south of Salisbury for a development of 99 Charles Church homes and at Morpeth in the North East for 50 plots. These sites will support the delivery of superior returns for the business as we take legal completions from them over future periods.

Westbury Partnerships
Westbury Partnerships is our partnership housing business working with housing associations across the UK. Westbury Partnerships delivered 2,218 new homes in 2016, an increase of 3% over last year (2015: 2,147 homes). The average selling price for these homes increased 4.0% to £106,889 (2015: £102,810).

The Group invests in high quality management teams who live in the communities which we support by way of new build housing delivery. We believe this strong local knowledge is essential to designing and developing sustainable communities in locations where families wish to live and work. The Group will continue to seek to develop strong relationships with housing associations to support as many lower income families as possible to access the housing market in line with the aims of the National Planning Policy Framework. By partnering with our housing association colleagues we will continue to focus on supporting the social sustainability of the communities we serve through new housing provision.

As part of the Group's planning processes our Partnerships business will typically work with our housing association partners to identify the mix of house types and tenures required by a local community and the timing of delivery at an early stage. This is usually incorporated within the details of the planning consent granted by the local planning authority for the delivery of new housing in that location. The Group is keen to deliver the newly built homes to our housing association partners as soon as possible in coordination with their funding position. The market for affordable housing continues to be important for us. In 2016 the Group again delivered c.15% of total legal completions to our housing association partners. At 31 December 2016 we had c. 3,700 affordable housing units forward sold in our order book providing a strong platform for future sales into this market place.

Government measures with respect to funding, rental levels and tenure types are starting to work through the market and will provide opportunities for expansion of housing delivery to lower income families from housing associations and others who commit to construction activity in conjunction with land made available by Government departments. We are working with local authorities and third party funding providers to support the delivery of increased housing numbers through these local authority approved schemes.

The Starter Homes initiative as recently included in the Government's Housing White Paper is an extension to affordable home tenures. This initiative targets the delivery of new homes to first-time buyers under the age of 40 on a discounted open market basis and may prove particularly attractive given the support provided to the purchaser by way of the discount offered. We believe this initiative has the potential to support the delivery of more new housing and we look forward to reviewing the detail of the scheme as it is finalised.

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. These schemes are managed on behalf of the Government by the Homes & Communities Agency ("HCA") in England and the Housing Agencies of Scotland and Wales. The Group has sold over 20,600 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. We continue to review the opportunity for Group sites to participate in the AHP 2015-2018, which commenced in April 2015, where appropriate. In 2016 we completed the delivery of affordable homes at East Trowbridge, Bath under this scheme.

The Government continues to seek to use public land through the Delivery Partner Panel ("DPP") mechanism to support the delivery of increased housing numbers. Our Partnerships business has secured the Group's participation in successive DPP frameworks and our site at Pleasley Hill, Mansfield, sourced through the DPP, will deliver 151 new houses, including 31 affordable homes, on completion. We will seek to continue to participate in the development of newly released public land on appropriate terms on submitting the Group's tender document for the next DPP3 framework which commences in May 2017.

Off-site manufacturing

Space4

The Group's Space4 system is a modern method of construction using off-site manufacturing techniques to produce timber frames, highly insulated wall panels and roof cassettes as a "fabric first" solution to the construction of new homes. The Space4 construction process delivers high levels of thermal efficiency and positions the Group at the forefront of the industry with its ability to accommodate changes to building regulations that target the reduction in carbon emissions and measures that mitigate global warming in the future. Our Space4 business is based in Castle Bromwich near Birmingham and is entirely focused on supporting the Group's house building businesses. The Space4 system has delivered over 40,000 new homes to the market since launch in 2001.

As we have opened new sales outlets across the UK we have continued to increase the coverage of our Group house types providing the opportunity for the most effective use of the Space4 product. During 2016 we realigned Space4 production to concentrate on delivering our Group core house types which now form over three quarters of all Space4 orders. Whilst this refocusing of the Space4 production planning and work flow has meant overall output for 2016 was reduced a little on the prior year at c. 5,500 units, these kits have been manufactured at greater levels of efficiency. In 2017 we will be seeking to take forward the advantages of this greater efficiency as we look to expand production further, focused on our core Group house types. This increased production volume through the factory will further improve overhead recoveries and reduce unit costs.

The usage of the Space4 construction process across the Group's sites is helping to improve productivity, easing resourcing pressures and increasing our build capacity by simplifying site processes and reducing the traditional skills content within these processes. Space4 has made a valuable contribution to supporting the delivery of the Group's industry leading asset turn of c. 5.1x, an important ingredient in delivering higher levels of returns on the capital invested in the Group's asset platform.

The Space4 factory has the capacity to increase production to support the construction of around 8,000 new homes each year. We are continuing to investigate the further development of the Space4 build processes driven by the design of the Group house types, to secure further improvements for the business.

Brickworks
The Group has used concrete bricks for a number of years to secure the availability of high quality product, particularly through periods of industry growth. In 2016, after completing our detailed due diligence, the Group started construction of its own factory for the manufacture of concrete bricks as a further development of its offsite manufacturing capability. This new facility will secure availability of this key material component for our build process, helping to support the most effective delivery of new homes to the market whilst exercising greater control over our build costs. The greater assurance of supply will assist our build programming and site efficiencies as an aid to capturing productivity improvements. The factory will be entirely focused on supplying the Group's house building operations.

The factory is sited at Harworth near Doncaster with good access to established motorway networks to support efficient logistics for delivery to Group companies. The manufacturing plant has been sourced to deliver a consistent high quality product with a high degree of automation and with strong environmental credentials. The plant is robust in construction having high durability and low maintenance requirements. Subsequent to the planned commissioning in Q1 2017 the plant will have the capacity to manufacture c. 80 million bricks each year. This output will satisfy approximately two thirds of the Group's current requirements and deliver a pay-back period of approximately three years on the initial investment of c. £10m.

Operating and financial review

Seasonality and pricing
The Group experienced a traditional seasonal pattern to trading during 2016 but with a particularly strong first quarter as some purchasers brought forward their buying decisions prompted by the change to the tax rules which came into force from April 2016. In addition, we experienced firmer sales activity through the autumn sales season despite market uncertainties associated with the UK's vote to leave the EU. In the first half the Group achieved an average weekly private sales reservation rate of c. 0.75 from an average of c. 355 active sales outlets, whilst through the second half the weekly private sales rate was c. 0.66 from c. 385 active outlets. The private sales rate in the first half of 2016 was c.4% ahead of the prior year, whilst the second half rate was c. 15% stronger.

Legal completions delivered in the first half of 2016 totalled 7,238 new homes reflecting the conversion of strong carried forward sales from the 2015 autumn sales period (c. 13% up on the prior year) together with sales taken during the spring sales season. First half legal completions were 6% (or 383 homes) ahead of last year (2015: 6,855).

As a result of the growth in legal completions in the first half due to our focus on delivering completed new homes as promptly as possible, we entered the second half with forward sales on a par with the same point in the prior year. However, legal completions delivered in the second half of the year of 7,933 new homes were 216 units (3%) stronger than the prior year due to the strength of the second half market and our drive to increase our build rates. The strength of the market in the second half was in part due to the action taken by the Bank of England in cutting the Bank Rate to 0.25% and introducing measures, including the Term Funding Scheme, to support growth in the UK economy. The Group's second half volume was 695 homes (or 10%) higher than the first half of the year. Despite this strong growth in legal completions in the second half, forward sales value at the end of 2016 finished c. 12%

ahead year on year. This strong carried forward position provides a platform for additional growth in 2017.

For the Group as a whole, selling prices improved modestly through the year, our average selling price increased from £205,762 in the first half to £207,680 in the second half. Against the prior year the Group's total average selling price for the full year increased by 3.8% to £206,765 (2015: £199,127).

The Group experienced an underlying improvement in its average selling price of around half of the 3.8% overall increase, with the change in mix explained in the brand performance review above adding to this gain. For 2016 our southern regional markets accounted for c. 55% of total revenues, reflecting both a greater proportion of higher value Charles Church homes in these regional markets as well as the distribution of our active sales outlet network across the UK.

Profitability

Operational improvements combined with reduced land recoveries associated with opening new sales outlets from more recent land investments added a further 290 basis points to the Group's underlying operating margin** which reached 24.8% (2015: 21.9%) for the full year. In line with our expectations, we maintained our margin progress through the second half of the year achieving a margin of 25.7% in the second six months (2015: 23.0%), margins in the first half being 23.8%.

Given the continued challenges in achieving a detailed planning consent and making a start on site, coupled with our strong sales rates, opening up new sales outlets is key to maintaining the strength of our sales network. We opened 255 new sales outlets in the year (2015: 252 new sales outlets). Our hard work to open outlets as promptly as possible has been rewarded. Land cost recoveries have improved and secured an additional 160 basis point contribution to the Group's gross margin year on year. The value of the Group's land recoveries totalled 16.4% of sales for 2016, down from 18.0% in 2015. The continued improvement in land cost recoveries results from the quality of the land we have acquired across the UK as well as the focus on optimising the planning consents we secure to deliver our developments to our local markets. These critical value-added activities are combined with strong control over our development costs.

The growth in the number of new homes we build and deliver to customers provides us with the opportunity to capture productivity gains and overhead efficiencies across the Group. We continue to increase the coverage of our Group house types across our regional markets as we secure new development consents and open new sales outlets. This has allowed us to achieve benefits from further consolidated procurement processes and site construction activities. The Group house types also support our efforts to improve our build programme management and site processes to capture productivity gains. Our site management teams, site workers, sub-contractors and suppliers have all worked extremely hard to support the Group's progress. These efforts have delivered a further reduction in our build and direct costs by 80 basis points to 55.8% of sales (2015: 56.6% of sales) for 2016.

Having opened five new businesses in just over 24 months the Group continues to invest in our management teams, processes and systems to ensure sustainable growth is supported. With our growth in volume in 2016, the Group's operating expense efficiency improved contributing a further 70 basis points to the Group's operating margin year on year. With further growth we expect this trend will continue.

Cash generation, net finance income, and financial assets

The Group's long term strategy has strong cash generation through the housing cycle at its core. By exercising capital discipline, together with maximising the cash efficiency of operational activities, management will deliver strong cash generation whilst minimising financial risk through the cycle. In 2016 we generated £681m of free cash before capital returns, or 221 pence per share (2015: £483m, 158 pence per share) and held £913m of cash balances at 31 December 2016 (2015: £570m).

Net finance income for 2016 was £4.3m (2015: £3.3m). Within this the imputed interest generated on the Group's shared equity receivables totalled £15.9m (2015: £15.7m) whilst the imputed interest payable on land creditors totalled £12.0m (2015: £14.4m).

A key feature of our strategy is the disciplined reinvestment of the 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 2016 we increased our investment in development work in progress to support higher levels of output to meet increased demand in the market. However, we remained mindful of the risks associated with the UK's decision to leave the EU and its potential impacts on the UK economy and the UK housing market, as we still are today. In 2016 we were successful in growing our cash margins whilst also optimising the cash efficiency of our land replacement activity. The Group also maintained its superior asset turn. The resulting strong cash generation provided the Group with the confidence and ability to invest in substantial new land holdings at a rate of c. 123% of 2016 consumption.

We have focused on taking advantage of attractive investment opportunities in a supportive land market where a number of the acquisitions offered good deferred payment terms. However, due to the reduction in absolute number and value of land acquisitions completed year on year the Group has reduced its deferred land creditor obligations slightly, by £18m to £555m at the year end. As a result the growth of the business was financed through the generation of cash inflows from operations before working capital requirements, which totalled £800m in 2016 (2015: £654m), without reducing the cash resources available to shareholders.

The Group has continued to receive strong cash inflows from customers relating to the early redemption of outstanding shared equity loans provided by the Group in earlier years. The carrying value of the outstanding shared equity loans, designated as "Available for sale financial assets", reduced in the year by £29m to £149m (2015: £178m). 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 combined with our capital discipline is fundamental to the delivery of the Capital Return Plan. The 23% increase in the rate of return on average capital employed* in the business to reach 39.4% (2015: 32.1%) results from our focus on what we believe is the right capital structure for the Group. We are confident that our operational approach will support the execution of our long term strategy. The continued acceleration and significant increase in the value of the Capital Return Plan underscores this confidence.

Land and construction
At 31 December 2016 the carrying value of the Group's land assets was £1,946m, £101m lower than the prior year (2015: £2,047m).

To sustain the business and support the Group's future growth we acquired 18,709 new plots of land during 2016. The Group owned 70,792 plots at the end of the year. Of these total land interests 52,765 plots had an implementable residential planning consent providing c. 3.5 years of forward supply at 2016 output levels. These plots will provide the necessary support to operations as we seek to increase our output levels to optimal sustainable market share in each of our regional markets in the future. We hope to secure an implementable consent on the remaining plots as promptly as the planning system will allow.

Disciplined investment 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.

We are currently promoting an additional 26,395 plots through the planning system. The Group has entered into conditional contracts to eventually acquire this land should we be successful in securing a full detailed implementable consent.

Each of our 29 house building businesses is focused on securing high quality returns by acquiring high quality replacement land in their regional markets. The quality of these investments is confirmed by the strong profitability and cash generation of the business and in the quality of the land bank we hold for future development. We continue to invest in the Group's land and planning skills and expertise which allows us to create significant value by identifying compelling acquisition opportunities both in the short term land market and for strategic land investment. Our planning teams continue to focus on optimising our development schemes and bringing the sites into production as quickly as possible.

A fundamental element of the Group's business model is the continued investment in strategic land and successfully promoting this land through the planning system to deliver plots with detailed residential consent. During the year we acquired interests in a further c. 900 acres of strategic land and we converted 11,268 plots of land from our strategic land portfolio, representing c. 74% of the Group's land consumption.

Strategic land in sustainable locations offers local communities the optimal opportunity for new homes to be delivered to meet their housing needs. We focus on securing development opportunities that fulfil all the specific planning requirements to enable the Group to achieve a detailed residential planning consent as quickly as possible. The consistent application of the National Planning Policy Framework in delivering more land for development underpins the industry's confidence to make the substantial investment in land and work in progress that is required to support an increase in output, increasing the supply of new homes to communities across the UK.

We remain determined to pursue our planning applications with local planning authorities and we are confident that our strategic land portfolio of c. 16,600 acres will yield up to c. 100,000 forward plots for future development by the business in due course.

At 31 December 2016 the carrying value of our work in progress of £617m was £99m higher than the prior year (2015: £518m). The Group is making substantial investments in infrastructure on opening new sites to support prompt delivery of new home sales in increasing numbers. We remain focused on increasing build rates to meet market demand and to deliver as many new homes as is possible on all of the Group's sites that have an implementable detailed planning consent. The Group is carrying a larger volume of plot foundations into the new year providing a strong platform for build completions in 2017.

At the end of the year the Group's work in progress investment represented 20% of 2016 sales, an industry leading asset turn. This supports superior cash generation and returns whilst minimising operational and financial risks. We expect substantial additional investment will be made in work in progress to support the Group's future growth.

The Board reviewed the net realisable value of land and work in progress at 31 December 2016 using consistent principles to prior years and concluded that the carrying value was appropriate. At the year end the Group retained an impairment provision of £48.5m (2015: £62.9m) which is considered adequate to address the potential impact of current market uncertainties on future revenues and direct costs for the relevant sites.

Shareholders' equity, treasury policy and related risks
The housing market is cyclical. Persimmon's long term strategy is designed to mitigate the risks associated with this cycle. By maintaining the disciplined application of capital over the long term we will retain 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 creation over the long term. It will also support the development of the business over the long term whilst minimising financial risk by maintaining a strong financial position.

The excellent progress made to date, together with our confidence regarding the Group's prospects, is reflected in the Directors' decision to enhance the Capital Return Plan further on the announcement of these results for 2016. The Board has decided to make an additional payment of surplus capital of 25 pence per share, or c. £77m, to shareholders as a first interim dividend for the 2016 financial year.

This is a further improvement on the 45% increase to the Capital Return Plan announced on 23 February 2016 when the Board announced an increase of 280 pence per share, (c. £860m) to the Capital Return Plan to a total of £9.00 per share, or c. £2.76bn, over the Capital Return Plan period. The Board has confirmed that the scheduled capital return of £1.10 per share will be paid as planned on 3 July 2017, as a second interim dividend for the 2016 financial year.

The Capital Return Plan now totals £9.25, or c. £2.85bn, to be paid over the ten year period to 2021, representing a 49% increase over the original Capital Return Plan.

The fourth instalment under the Capital Return Plan of £338m was accelerated and paid to shareholders on 1 April 2016.

The Group's total retained profit after tax for 2016 of £625.3m was 20% higher than the prior year (2015: £521.9m). The Group's retained earnings were offset by an after tax remeasurement loss of £19.0m associated with the Group's pension scheme asset of £23.3m but supplemented by share based payments of £13.3m.

Total net asset value of the Group for the year ended 31 December 2016 of £2,737m (2015: £2,456m) increased by 11% or £281m. Net assets per share increased 11% over the prior year end to 887.3 pence (2015: 800.7 pence). Cash balances held at the year end increased by £343m and totalled £913m (2015: £570m).

The Group will focus on generating strong liquidity on a consistent basis. The Group maintains revolving credit facilities which, if required, will only be used to support the short term seasonal working capital needs of the business. The Group extended the maturity of its £300m revolving credit facility to 31 March 2021 in 2016. 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.

Corporate Responsibility
Our Corporate Responsibility Committee reviews, monitors and evaluates sustainability performance within the business. Committee membership is drawn from all parts of the Group's operations to maintain clear alignment with the Group's strategy. By organising its work into the five areas set out below, "Our Customers", "Our Environment", "Our People", "Our Wellbeing" and "Our Communities", we ensure that the interests of all stakeholders in the Group are addressed. Detailed information on our approach to Corporate Responsibility together with case studies can be found in our 2016 Sustainability Report available at www.corporate.persimmonhomes.com.

Our Customers
Delivering good quality new homes and great service to our customers is the Group's priority. All members of our team are responsible for delivering high levels of customer satisfaction.

Our land replacement processes focus on acquiring new land in locations which deliver high amenity value to local communities providing great confidence to our customers that they are buying a new home in the right location for their family. Through the drive for excellence in execution of our development plans we have the opportunity to create places where our customers wish to live and work. The Group's house type designs and approach to development scheme layouts is focused on creating sustainable environments that offer a compelling choice for our customers to enjoy.

We continue to invest in the skills and systems that support our sales teams 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. We understand that buying a new home, and then preparing to move in, is complicated and at times challenging. Our sales teams have the expertise to provide information and guidance on the home buying process and will support our customers with the practicalities of moving day to make it as straightforward and enjoyable as possible.

As part of our design process we listen to our customers comments regarding house type design, finishes and features to ensure our new homes offer choices that our customers prefer. A key part of our sales and development process is to offer good availability and choice of house types on all our developments. We believe an important element to delivering good service to our customers is to enable them to reserve their new home at an early stage in the development process so as to create as much certainty as possible in support of their buying decision. This allows greater opportunity for our customers to choose from a range of bespoke extras which we offer through our Finishing Touches range so as to deliver a home tailored to their needs and preferences. We aim to make the legal process of buying the home as straightforward and prompt as is possible working closely with the customer's solicitor and mortgage provider to conclude matters efficiently.

Supporting the affordability of new homes for our customers by providing a comprehensive range of selling prices and by exercising strong control over development costs is of paramount importance to us. Our site sales teams support our customers in deciding on the right choice of new home for their family. In 2016 the Group's average selling price was £206,765 with c. 50% of our private new homes being sold for £200,000 or less. Our typical house type mix on a development provides a comprehensive range and is designed to generate strong interest from first time buyers and first time movers. The Government's Help to Buy shared equity loan scheme is providing greater access to the owner occupier market, principally for first time buyers, by supporting the buyer to purchase a newly built home with a 5% deposit. Mortgage lenders are also keen to support these customers and offer the most favourable interest rates on loans associated with this scheme. During the year 6,970 of our customers bought a new home with a Government Help to Buy shared equity loan.

We also seek to provide strong support to existing home owners to achieve their move into a newly built home. We offer Part Exchange facilities to remove the worries that usually accompany the uncertainties associated with home buying chains. During 2016 10% of our private sale 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 2,218 homes (2015: 2,147) to our housing association partners during the year. This low cost housing delivered by our Westbury Partnerships business represented c. 15% of our sales and helps support social inclusion within the local communities that we serve.

During 2016 we have continued to invest additional resources in new customer focused initiatives to improve our customers' buying experience and our NHBC/HBF 3 star rating. This is yielding further improvement in performance with the majority of the Group's operating businesses showing progress. Prior to customers moving into their new home we have improved our communication processes with them to provide greater understanding of the progress we are making in constructing their new home. We have strengthened our build management processes to facilitate delivery to expected timeframes. Additional support is being provided through reinvigorated processes to demonstrate the features of the new home to customers, assistance with identifying any small remaining issues on moving in day and providing improved systems and processes for our customer care teams to support the prompt rectification of any outstanding matters. Customer care performance is reflected in relevant employees' remuneration to support a closer alignment to the Group's objectives. Whilst these initiatives are delivering tangible improvements in our customer satisfaction ratings we remain determined to deliver further advancement this year.

Our Environment

As part of our development approach we aim to minimise the impact we have on the environment. Key elements of our processes for assessing and designing our developments have the objective of minimising both our direct and indirect impact on the environment. To support our execution of more efficient development activity we identify all major environmental risks that we face in both the short and long term. Our development processes include appropriate management actions that will mitigate these risks. Addressing these issues at the start of our development plans ensures our environmental performance remains robust and helps the Group secure more sustainable business processes.

The most important indirect environmental impact of our development activities is the ongoing effect of our new homes. Our focus is to build new homes to high sustainability standards harnessing the benefits of good design, and improvements in materials and building techniques to deliver new homes with high sustainable qualities. Our Space4 business manufactures components to support a modern method of housing construction as discussed above. Space4 focuses on a fabric first approach to the construction of new homes with strong sustainability credentials. The off-site manufacture of timber frames together with wall panels and roof cassettes which are highly insulated delivers new homes that are highly thermally efficient and air tight with minimal waste. The new homes built using Space4 technology support the delivery of an average energy efficiency for the Group's new homes as measured by the Standard Assessment Procedure (SAP) of 83, which is 40% more energy efficient than existing housing stock which has an average SAP rating of 59. Importantly, Space4 adds to the Group's capability to implement future changes to building regulations that target reductions in carbon emissions and other measures that will combat global warming. As a further extension of our off-site manufacturing capability we are in the process of establishing our own concrete brick manufacturing facility (as mentioned earlier in this report). This facility has been procured on the basis of achieving very low energy usage, concrete brick manufacture uses very little energy when compared to the firing process of manufacturing clay brick. Having the capability to produce around two thirds of the Group's current brick requirements, this plant will make an important contribution to reducing the Group's indirect impact on the environment by reducing energy usage and carbon emissions within our supply chain.

We monitor our operational efficiency and direct environmental impact by measuring the amount of waste that we generate and recycle for each home we build. In 2016 we again increased the amount of waste we recycled to 93% (2015: 92%) thereby minimising the amount of waste sent to landfill despite the amount of waste per home built increasing a little to 6.6 tonnes (2015: 6.3 tonnes).

In 2016 we again collated data captured across the Group and from our suppliers to identify the amount of energy used in 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 2016 were 28,047 tonnes CO_2e (2015: 27,647 tonnes CO_2e). Our Scope 2 indirect emissions for electricity in 2016 were 4,552 tonnes CO_2e (2015: 3,910 tonnes CO_2e). Our total operational carbon footprint in 2016 was 32,599 tonnes CO_2e (2015: 31,557 tonnes CO_2e), an increase of 3.3%. This increase is principally attributable to the growth in number of homes built by the Group and the accompanying level of activity throughout our business year on year. Legal completions of new homes sold by the Group increased by 4% over the prior year.The amount of CO_2e per home sold in 2016 was 2.15 tonnes, a 0.9% decrease on the prior year (2015: 2.17 tonnes CO_2e).

We have continued to review our energy use and have pursued actions aimed at reducing our energy costs and minimising consumption where possible. These measures include an assessment of the cost and benefit of upgrading site machinery, the continued reduction in the CO_2 emissions from our motor fleet, and a reduction in print and copying volumes across the business.

Our People

We believe that having a highly skilled and diverse workforce supported by a merit-based culture is an important part of the Group's growth and success, as well as being fundamental to supporting the wellbeing of our workforce. Our people are key to supporting the Group's successful growth in its operations across the UK. The right skills to buy land, plan our developments, build quality homes and provide good service to our customers are critically important.

Since 2013 the Group has experienced a rapid increase in the number of its employees in line with the acceleration of the Group's growth as the market recovered from the downturn of 2008/2009. To support and control the Group's growth we have continued to invest in the Group's workforce with the total number of our employees increasing to an average of 4,526 (2015: 4,188). Our strengthened selection, engagement, induction and training processes provide opportunity for all our staff to fulfil their responsibilities to the best of their ability. The opening of five new businesses over recent years has provided the opportunity for a good number of our staff to take on greater responsibilities as they have mastered their skills in key functional areas of the business. We support and mentor our talented staff to help them realise their potential. Persimmon has a long established tradition of promoting from within the business wherever possible. Reward for successfully contributing to the performance of the business over the long term is a priority for the Group and secures the human resource platform that is instrumental in driving the business forward.

Importantly, we have continued to support a large number of trainees and apprentices in our business, the Group currently employs c. 550 trainees. We are pleased with the progress we are making with our "Combat to Construction" and "Upskill to Construction" training programmes. These are focused on UK service personnel leaving the armed services and more mature trainees that wish to retrain and gain the trade skills necessary to pursue a successful career with the Group.

We believe that all employees and subcontractors can perform to their full potential with the right support and training. We have again increased our training commitment for both young and mature apprentices and trainees across all disciplines in our business, including planning, technical, construction management and sales. We provided over 10,500 training days to employees and our construction workforce in 2016 (2015: 10,210) an average of 2.3 days per employee (2015: 2.4). We are keen to harness the Government's new Apprenticeship Levy, which is introduced from April 2017, to support our traditional apprenticeship programmes to increase the number of skilled trades people to support the future growth of the Group's business.

The Group is committed to having a full and active role in the Home Building Skills Partnership, a joint initiative between the Construction Industry Training Board and the Home Builders Federation which aims to train over 40,000 new trades people by 2019 to help address the skills shortage that presents such a key challenge to expanding output by the industry. This initiative commenced in April 2016 and the initial working group is pulling together a skills strategy and implementation objectives with publication of this anticipated for Spring 2017.

We believe that a diverse work force supported by a vibrant merit-based working environment is an important part of the Group's success. As at 31 December 2016 we employed 4,483 people, 25% of which were female. We have two female and six male directors on the Company's Board and 19 female colleagues in our 154 strong senior management team.

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. Our Modern Slavery Statement can also be found on this web site.

Our Wellbeing

The wellbeing, health and safety of our employees, workforce, and customers is the top operational priority for the Group.

The Group ensures that the investment in Group Health and Safety resources devoted to ensuring our development sites and offices remain safe and healthy environments is appropriate. The growth of the Group's development activities and office network has been supported by an increase in Health and Safety department employees to 28 staff under the direction of our Group Health and Safety Director.

The Health and Safety team's structure and 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.

We have continued to focus on monitoring the effective implementation of the Group's health and safety policies as well as ensuring detailed incident led investigations are carried out promptly when necessary. Each operating business aims for full compliance with Group policies and procedures with performance above and beyond required standards being reviewed for incorporation into future policy if appropriate. The internal risk management framework and work implemented by the Group Health and Safety department is verified by an external independent advisor on a rotational basis to ensure compliance standards are maintained. Our health and safety colleagues provide additional support to local operating businesses to provide any bespoke training needs and improvement actions required.

During 2016 we reported 47 incidents under the Reporting of Incidents Diseases and Dangerous Occurrences Regulations (RIDDORS) to the Health and Safety Executive which was level with 2015 despite our increased levels of construction activity. We managed to reduce our Annual Incident Injury Rate marginally to 3.59 accidents per thousand workers (2015: 3.62).

Our Communities

We believe that by delivering much needed new housing whilst also creating and improving the local environment in which our communities live and work we help increase the sustainability of those communities into the future. We seek to actively engage the local community in the development process, from consultation and feedback through the planning journey to continued communication of the development's progress as it proceeds. We aim to sell the majority of the new homes we build into the local community to satisfy their housing needs. During 2016 we implemented a consistent approach across the Group to strengthen effective and targeted community consultation which is tailored to the local residents' context.

We have continued to support improved sustainability by bringing derelict and poor quality land back into use on behalf of local communities. The Group used brownfield or previously used land to deliver c. 45% of the new homes we legally completed in the year, often decontaminating polluted land and regenerating old industrial sites.

The Group's developments are designed to promote social inclusion, incorporating housing for families with a broad span of household incomes. In 2016 we delivered £237m of social housing for lower income families (2015: £221m) and invested in £65m of infrastructure on our developments (2015: £47m) to provide the schools, new roads, open space and community facilities to support the social and environmental development of the new communities we create. Of the £65m spent on infrastructure, £17m related to educational amenity provision delivering an additional 420 school places for our local communities.

Our Community Champions initiative run by the Persimmon Charitable Foundation provides funding for the numerous small charities and voluntary organisations at the heart of the communities we serve. This initiative is now well into its third year and we have been overwhelmed with the response. In 2016 we passed the £1m mark for donations made and have reached £1.1m of donations by the end of the year. Charities apply to the Persimmon Charitable Foundation (via our website www.persimmonhomes.com/charity) for funding support up to a value of £1,000 to match fundraising they have achieved themselves. Each of our operating businesses have the opportunity of supporting two applicants every month. Since we started the campaign, we have supported over 1,200 different organisations in the communities we serve right across the UK.

In addition, the company together with its employees have raised and donated a further £108,000 to good causes.

Current trading outlook

Customer activity in the new build housing market through the early weeks of the new year has been encouraging. We are offering new homes for sale on around 4% more sales outlets than for the same period last year and site visitor numbers are c. 7% stronger over the first eight weeks of 2016. Consumer confidence remains resilient, employment levels are strong and interest rates remain low. The volume of visitors to our Persimmon and Charles Church homefinder websites is in line with the prior year.

We have experienced the usual seasonal pick up in sales reservations week by week. Whilst we are facing challenging comparatives in the first quarter of 2017, reflecting the additional activity stimulated by the tax changes introduced by the Government from early April 2016, we anticipate a more normal seasonal pattern this year.

The strength of the 2016 autumn sales season together with our early spring sales have supported a 9% year on year increase in current forward sales (including legal completions taken in 2017 to date) to £1.89bn (2016: £1.74bn). Our private sales reservation volumes in our forward sales are 6% ahead of last year allowing for our weekly private sales rate per site for the first eight weeks of the year being 4% behind the prior year at this point. The Government has recently confirmed its support for first time buyers through the Help to Buy scheme in the Housing White Paper and the revamped Starter Homes initiative should assist greater numbers of first time buyers to gain access to the market later this year. With our attractively designed core house types offered at affordable price points and our emphasis on site layouts which provide a full range of products to all customers, particularly for first time buyers and first time movers we are confident that the Group is well positioned in its regional markets for the year ahead. We will focus on increasing production to meet this demand.

We believe that UK market fundamentals remain strong supported by long term unfulfilled demand for housing, despite the uncertainties associated with the UK's vote to leave the EU and the challenges presented by headwinds in the wider global economy. The Bank of England's vigilance in ensuring disciplined lending practices continues. This oversight, together with providing guidance and direction to lenders via the Financial Policy Committee which complements appropriate monetary policy settings and Government fiscal policy measures, will help support the sustainability of the UK housing market. In turn this will create the opportunity for the industry to continue to invest in skills, land and new home construction to deliver the continued expansion in output that will provide access to housing for local communities across the UK.

Our spring sales will be supported by the 90 new sales outlets we plan to open in the first half of 2017, of which we have already opened 51 new outlets so far. Gross margins in our forward order book indicate that, for 2017, margins are set for some modest improvement over 2016 as we open our new sites and we continue to work hard to secure further operational gains.

We intend to continue to invest in new land during 2017 to support the further growth of our regional businesses towards optimal sustainable scale. We will remain focused on ensuring our land replacement activity secures attractive returns and payment terms whilst we retain our flexibility to react to changing conditions. We are excited by the prospects of converting more of our strategic land as planning authorities identify their preferred locations to satisfy housing needs as incorporated in their five year plans. We believe our strong balance sheet and excellent free cash generation will support this land replacement activity whilst also providing confidence in the delivery of the Capital Return Plan to our shareholders.

The Group has performed particularly well in 2016 due to the hard work of the entire Persimmon team. We remain confident that this team has the focus, expertise, drive and vision to continue to deliver for our customers and shareholders. We believe the UK new build housing market will provide great opportunities for those companies with the correct strategic aims, operational capabilities and balance sheet strength to navigate future changes in trading conditions as they unfold. We thank all our loyal employees and supply chain partners for their dedication and continued contribution to the Group's success.

Jeff Fairburn
Group Chief Executive
24 February 2017

Mike Killoran
Group Finance Director

* 12 month rolling average and stated before goodwill impairment
** stated before goodwill impairment of £8.0m (2015: £8.3m)

PERSIMMON PLC
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2016

	Note	**2016**	2015
		Total £m	Total £m
Revenue		**3,136.8**	2,901.7
Cost of sales		**(2,265.4)**	(2,164.4)
Gross profit		**871.4**	737.3
Other operating income		**6.8**	11.6
Operating expenses		**(107.7)**	(122.7)
Profit from operations before impairment of intangible assets		**778.5**	634.5
Impairment of intangible assets		**(8.0)**	(8.3)
Profit from operations		**770.5**	626.2
Finance income		**19.8**	22.1
Finance costs		**(15.5)**	(18.8)
Profit before tax		**774.8**	629.5
Tax	2	**(149.5)**	(107.6)
Profit after tax (all attributable to equity holders of the parent)		**625.3**	521.9
Other comprehensive (expense)/income			
Items that will not be reclassified to profit:			
Remeasurement (losses)/gains on defined benefit pension schemes	8	**(23.4)**	7.5
Tax	2	**4.4**	(1.1)
Other comprehensive (expense)/income for the year, net of tax		**(19.0)**	6.4
Total recognised income for the year		**606.3**	528.3
Earnings per share			
Basic	4	**203.0p**	170.3p
Diluted	4	**197.0p**	166.4p

PERSIMMON PLC
Consolidated Balance Sheet
As at 31 December 2016

	Note	2016 £m	2015 £m
Assets			
Non-current assets			
Intangible assets		**213.6**	221.6
Property, plant and equipment		**43.0**	37.4
Investments accounted for using the equity method		**3.0**	3.0
Available for sale financial assets		**148.7**	177.9
Trade and other receivables		**8.8**	10.1
Deferred tax assets		**42.5**	46.6
Retirement benefit assets	8	**23.3**	18.0
		482.9	514.6
Current assets			
Inventories	5	**2,645.0**	2,645.3
Trade and other receivables		**103.7**	91.5
Cash and cash equivalents	7	**913.0**	570.4
		3,661.7	3,307.2
Total assets		**4,144.6**	3,821.8
Liabilities			
Non-current liabilities			
Trade and other payables		**(333.3)**	(372.6)
Deferred tax liabilities		**(17.7)**	(18.3)
Partnership liability		**(41.7)**	(44.6)
		(392.7)	(435.5)
Current liabilities			
Trade and other payables		**(935.0)**	(846.8)
Partnership liability		**(5.4)**	(5.4)
Current tax liabilities		**(74.1)**	(78.3)
		(1,014.5)	(930.5)
Total liabilities		**(1,407.2)**	(1,366.0)
Net assets		**2,737.4**	2,455.8
Equity			
Ordinary share capital issued		**30.8**	30.7
Share premium		**10.6**	9.3
Capital redemption reserve		**236.5**	236.5
Other non-distributable reserve		**276.8**	276.8
Retained earnings		**2,182.7**	1,902.5
Total equity		**2,737.4**	2,455.8

PERSIMMON PLC
Consolidated Statement of Changes in Shareholders' Equity
For the year ended 31 December 2016

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other non-distributable reserve £m	Retained earnings £m	Total £m
Balance at 1 January 2015	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**
Profit for the year	-	-	-	-	625.3	625.3
Other comprehensive income	-	-	-	-	(19.0)	(19.0)
Transactions with owners:						
Dividends on equity shares	-	-	-	-	(338.3)	(338.3)
Issue of new shares	0.1	1.3	-	-	(0.1)	1.3
Own shares purchased	-	-	-	-	(1.0)	(1.0)
Exercise of share options/share awards	-	-	-	-	(1.0)	(1.0)
Share-based payments	-	-	-	-	13.3	13.3
Satisfaction of share options from own shares held	-	-	-	-	1.0	1.0
Balance at 31 December 2016	**30.8**	**10.6**	**236.5**	**276.8**	**2,182.7**	**2,737.4**

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 2016

	Note	**2016 £m**	2015 £m
Cash flows from operating activities:			
Profit for the year		**625.3**	521.9
Tax charge	2	**149.5**	107.6
Finance income		**(19.8)**	(22.1)
Finance costs		**15.5**	18.8
Depreciation charge		**8.0**	7.1
Impairment of intangible assets		**8.0**	8.3
Share-based payment charge		**14.0**	11.2
Net imputed interest income		**3.9**	1.3
Other non-cash items		**(3.9)**	(0.5)
Cash inflow from operating activities		**800.5**	653.6
Movements in working capital:			
Decrease/(increase) in inventories		**7.8**	(232.0)
Increase in trade and other receivables		**(18.3)**	(27.8)
Increase in trade and other payables		**11.1**	196.5
Decrease in available for sale financial assets		**44.6**	35.6
Cash generated from operations		**845.7**	625.9
Interest paid		**(4.0)**	(4.4)
Interest received		**3.1**	1.2
Tax paid		**(146.6)**	(128.3)
Net cash inflow from operating activities		**698.2**	494.4
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(14.7)**	(11.1)
Proceeds from sale of property, plant and equipment		**0.8**	1.3
Net cash outflow from investing activities		**(13.9)**	(9.8)
Cash flows from financing activities:			
Financing transaction costs		**(0.9)**	-
Payment of Partnership Liability		**(2.8)**	(2.7)
Own shares purchased		**(1.0)**	-
Share options consideration		**1.3**	1.2
B Share Redemption	3	**-**	(99.8)
Dividends paid	3	**(338.3)**	(191.3)
Net cash outflow from financing activities		**(341.7)**	(292.6)
Increase in net cash and cash equivalents	7	**342.6**	192.0
Cash and cash equivalents at the beginning of the year		**570.4**	378.4
Cash and cash equivalents at the end of the year	7	**913.0**	570.4

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 2016.

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 2016 or 2015, but is derived from those accounts. Statutory accounts for 2015 have been delivered to the Registrar of Companies, and those for 2016 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

Whilst the financial information included in this announcement has been computed in accordance with IFRS as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to send its Annual Report 2016 to shareholders on 20 March 2017.

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 2016:

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 1: Disclosure Initiative
- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS 11: Accounting for Acquisitions of Interest in Joint Operations
- Amendments to IAS 16 and IAS 41: Bearer Plants

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:

- IFRS 15: Revenue from Contracts with Customers
- IFRS 9: Financial Instruments

The Group is currently considering the implication of these standards. IFRS 15 Revenue from Contracts with Customers will be effective from 1 January 2018 and replaces IAS 18 Revenue. IFRS 15 is more prescriptive in relation to what should be included within revenue. IFRS 15 will require all defined sources of income to be included within revenue. Whereas the Group currently includes income from the sale of new houses within revenue, on adopting IFRS 15 income from sales transactions such as relating to part exchange properties and land will also be included. This will result in an increase to both revenue and costs of sales but will not impact the reported profit from operations. It is anticipated the impact of the other 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.

Whilst not yet EU endorsed it is currently anticipated that IFRS 16 Leases will be effective for the Group from 1 January 2019. The key effect of this standard will be to require the company to create a long term depreciating "right of use" asset and corresponding lease liability for leases currently classified as operating leases and charged over the lease term in accordance with the current standard IAS 17 Leases. The net effect on profits in a given year is not anticipated to be significant. The Group operate a number of such operating leases, principally in relation to office properties and vehicles.

2. Tax

	2016 £m	2015 £m
Tax charge comprises:		
UK corporation tax in respect of the current year	**153.6**	132.2
Adjustments in respect of prior years	**(11.3)**	(21.5)
	142.3	110.7
Deferred tax relating to origination and reversal of temporary differences	**3.0**	(2.1)
Adjustments recognised in the current year in respect of prior years deferred tax	**4.2**	(1.0)
	7.2	(3.1)
	149.5	107.6

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

	2016 £m	2015 £m
Profit from continuing operations	**774.8**	629.5
Tax calculated at UK corporation tax rate of 20% (2015: 20.25%)	**155.0**	127.5
Accounting base cost not deductible for tax purposes	**0.1**	0.8
Goodwill impairment losses that are not deductible	**1.6**	1.7
Expenditure not allowable for tax purposes	**0.1**	0.2
Effect of change in rate of corporation tax	**(0.2)**	(0.1)
Adjustments in respect of prior years	**(7.1)**	(22.5)
Tax charge for the year recognised in profit	**149.5**	107.6

The Group's overall effective tax rate of 19.3% has been reduced from the mainstream rate of 20% by a prior year tax credit arising from the removal of some uncertainties regarding the Group's prior year tax computations.

The applicable corporation tax rate has reduced from 20.25% in the prior year to 20% in line with corporation tax rates effective from 1 April 2015. In relation to the Group's deferred tax calculations, further corporation tax rate changes enacted on 18 November 2015 effective from 1 April 2017 (19%) and enacted on 15 September 2016 effective from 1 April 2020 (17%) have been used.

In addition to the amount recognised in profit, deferred tax of £4.4m was credited directly to other comprehensive (expense)/income (2015: charge of £1.1m), and a £0.7m charge was recognised in equity (2015: credit of £13.7m).

The Group has recognised deferred tax liabilities of £4.0m (2015: liabilities of £3.2m) on retirement benefit assets of £23.3m (2015: assets of £18.0m).

3. Dividends/Return of capital

	2016 **£m**	2015 £m
Amounts recognised as distributions to capital holders in the period:		
2015 return of capital to B shareholders of 95p per share	**-**	99.8
2015 dividend to C shareholders of 95p per share	**-**	191.3
2016 dividend to all shareholders of 110p per share	**338.3**	-
Total capital return	**338.3**	291.1

The Directors propose to return 25p of surplus capital to shareholders for each ordinary share in issue held at 6.00pm on 10 March 2017 with payment made on 31 March 2017. This is an additional payment of surplus capital over and above the previously announced Capital Return Plan schedule. In line with the previously announced schedule, the Directors propose to return a further 110p of surplus capital to shareholders for each ordinary share in issue held at 6.00pm on 16 June 2017 with payment made on 3 July 2017 being a total return of 135p per share (2016: 110p).

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 308.0m (2015: 306.4m).

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 317.5m (2015: 313.6m).

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

	2016	2015
Basic earnings per share	**203.0p**	170.3p
Underlying basic earnings per share	**205.6p**	173.0p
Diluted earnings per share	**197.0p**	166.4p
Underlying diluted earnings per share	**199.5p**	169.1p

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

	2016 **£m**	2015 £m
Underlying earnings attributable to shareholders	**633.3**	530.2
Goodwill impairment	**(8.0)**	(8.3)
Earnings attributable to shareholders	**625.3**	521.9

5. Inventories

	2016 **£m**	2015 £m
Land	**1,946.4**	2,046.7
Work in progress	**617.2**	517.9
Part exchange properties	**37.1**	38.3
Showhouses	**44.3**	42.4
	2,645.0	2,645.3

The Group conducted a further review of the net realisable value of its land and work in progress portfolio during 2016. Our approach to this review has been consistent with that conducted at 31 December 2015. This review gave rise to a reversal of £7.7m (2015: £9.8m) of provision on inventories that were written down in a previous accounting period and an impairment of land and work in progress of £7.7m (2015: £9.8m). 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 2016 were £48.5m (2015: £62.9m).

The key judgements in estimating the future net realisable value of a site were the estimation of likely sales prices, house types and costs to complete the developments. Sales prices and costs to complete were estimated on a site by site basis based upon existing market conditions. If the UK housing market were to improve or deteriorate in the future then further adjustments to the carrying value of land and work in progress may be required. Following the 2016 review, £34.1m (2015: £54.4m) 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:

	2016 **Level 3** **£m**	2015 Level 3 £m
Available for sale financial assets	**148.7**	177.9

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 (2015: 10 years) and discount rate 8% (2015: 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

	2016 £m	2015 £m
Increase in net cash and cash equivalents in cash flow	**342.6**	192.0
Net cash at 1 January	**570.4**	378.4
Net cash at 31 December	**913.0**	570.4

8. Retirement benefit assets

As at 31 December 2016 the Group operated four employee pension schemes, being two Group personal pension schemes and two defined benefit pension schemes. Remeasurement gains and losses in the defined benefit schemes are recognised in full as other comprehensive (expense)/income within the consolidated statement of comprehensive income. All other pension scheme costs are reported in profit or loss.

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

	2016 £m	2015 £m
Current service cost	**2.4**	3.0
Administrative expense	**0.7**	0.9
Pension cost recognised as operating expense	**3.1**	3.9
Interest cost	**17.9**	17.9
Return on assets recorded as interest	**(18.7)**	(17.9)
Pension cost recognised as net finance credit	**(0.8)**	-
Total defined benefit pension cost recognised in profit or loss	**2.3**	3.9
Remeasurement losses/(gains) recognised in other comprehensive (expense)/income	**23.4**	(7.5)
Total defined benefit scheme loss/(gain) recognised	**25.7**	(3.6)

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

	2016 £m	2015 £m
Fair value of Pension Scheme assets	**605.6**	512.0
Present value of funded obligations	**(582.3)**	(494.0)
Net pension asset	**23.3**	18.0

9. Principal risks

Risk	Impact	Mitigation
UK's exit from the EU	Following the referendum vote on 23 June 2016 and the decision to leave the European Union, uncertainty surrounding the outlook for the UK economy has increased. Such uncertainty may reduce consumer confidence such that demand and pricing for new homes may be impacted affecting revenues, profits and cash flows and may result in the impairment of asset values. In addition, the devaluation of the UK currency and a possible tightening of the availability of construction skills due to potential changes to legislation governing free movement of labour may impact costs and build activity.	We continue to closely monitor the impact of this increased uncertainty on the UK economy and the housing market through the review of external information and changes in the behaviour of our customer base. Close management of work in progress levels matching supply to demand will continue and land investment decisions will continue to be assessed, including measures to ensure exposure to market disruption is mitigated. The overall shortage of supply of housing in the UK may provide a degree of support to the housing market should these circumstances arise. Action taken by the Government to adjust policy to support UK economic performance may provide further mitigation as might any response with respect to interest rates by the Bank of England. We will continue to employ robust tendering processes to maintain strong cost control over Group sourcing. In addition, we will remain focused on our training initiatives to improve the supply of the necessary construction skills the Group requires.
National and regional economic conditions	The housebuilding industry is sensitive to changes in unemployment, interest rates and consumer confidence. Any deterioration in economic conditions may significantly decrease demand and pricing for new homes, which could have a material effect on our business revenues, margins and profits and result in the impairment of asset values.	We control the level of build onsite by closely managing our work in progress levels. We carry out extensive due diligence prior to our land investment decisions to capture best returns. We monitor our geographical spread to mitigate the effects of local microeconomic fluctuations. We monitor lead indicators on the future direction of the UK housing market so as to manage our exposure to any future market disruption.
Mortgage availability	Any restrictions in the availability of mortgages for our customers could reduce demand for our homes and affect revenues, profits and cash flows. Early withdrawal of the Government sponsored Help to Buy scheme could reduce demand from first-time buyers and other customers impacting revenues, profits, and cash flows.	We monitor Bank of England commentary on credit conditions. We ensure that our investment in land and work in progress is appropriate for our level of sales and our expectations for market conditions. We monitor the Council of Mortgage Lenders' monthly reports and lenders' announcements for trends in lending. The Government's Help to Buy scheme, which currently is anticipated to remain available until 2021, supports customers to gain access to the housing market across the UK with very competitive mortgage rates.

Health and safety	The health and safety of our employees, subcontractors, home owners and visitors to our construction sites is of paramount importance to us. Accidents on our sites could lead to reputational damage and financial penalties.	We ensure that the Board's health and safety strategy is implemented by our comprehensive management systems and controls, overseen by our Group Health and Safety Department to minimise accidents on our sites.
Regulatory compliance	Our business is subject to extensive and complex laws and regulations relating to planning and the environment. Our obligations to comply with legislation can result in delays causing us to incur substantial costs and prohibit or restrict land development and construction. Non compliance could also result in damage to the Group's reputation.	We operate comprehensive management systems to ensure regulatory compliance. We hold a land bank sufficient to provide security of supply for short to medium term requirements and engage extensively with planning stakeholders.
Materials	Expansion in UK housebuilding has driven an increase in demand for materials and may cause availability constraints and/or costs to increase ahead of our expectations.	We closely monitor our build programmes and our supply chain enabling us to manage and react to any supply chain issues. We build good relationships with suppliers to maintain consistency of supply and management of costs. To strengthen our control over brick supply and cost, we have recently constructed our own brick plant, which will be commissioned in Q1 2017. This complements our existing offsite manufacturing capability at Space4, the Group's business producing timber frames and highly insulated wall panels and roof cassettes which provides a modern method of constructing new homes.
Labour	Having an appropriately skilled workforce is a key requirement for housebuilding. Expansion in UK housebuilding has increased demand for skilled labour which may create site resourcing shortfalls and/or increase labour costs ahead of our expectations.	We closely monitor our build programmes to enable us to manage our labour requirements. We operate in-house apprentice and training programmes to supply the Group with skilled labour. We are committed to playing a full and active role in external initiatives to address the skills shortage such as the Home Building Skills Partnership, a joint initiative of the Construction Industry Training Board and the Home Builders Federation. Where appropriate we use the Group's Space4 modern method of construction which reduces the site based skilled labour required in the construction of our homes.
Strategy	The Board has adopted its strategy as it believes it is the one most likely to add the greatest sustainable value for shareholders and stakeholders. It is possible that, with time, factors become known that indicate that the strategy currently being pursued is not the most effective or efficient and that alternative strategies may be more appropriate.	The Group's strategy is agreed by the Board at an annual strategy meeting and thereafter regularly reviewed at Board meetings and by the Executive Directors. The Board engages with management and employees to ensure the strategy is communicated and understood and that all employees have a clear understanding of the potential benefits and risks of the strategy.

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 five-year period, taking into account the Group's current position and the potential impact of the principal risks facing the Group. Based on this assessment, the Directors confirm that they have reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to the end of 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. On 23 February 2016 the Directors strengthened that commitment with a c. 45% increase in the value of surplus capital to be returned, an additional c. £860m, or £2.80 per share. As explained in the Chairman's Statement, the Directors are further strengthening that commitment to the Capital Return Plan with an additional payment of 25 pence per share, or c. £77m to be paid on 31 March 2017, increasing the total amount to be returned to shareholders over the Capital Return Plan period to £9.25 per share.

The Group has now completed five years of this Capital Return Plan. Therefore the Directors have determined that the remaining five 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 and the Financial Statements not the extracts from the financial statements required to be set out in this Announcement.

The 2016 Annual Report and Accounts comply with the United Kingdom's Financial Conduct Authority Disclosure Guidance 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 2016 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
Jonathan Davie	Senior Independent Director
Marion Sears	Non-Executive Director
Rachel Kentleton	Non-Executive Director
Nigel Mills	Non-Executive Director

By order of the Board

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

24 February 2017

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