FULL YEAR RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Persimmon Plc today announces Final Results for the year ended 31 December 2021.

Dean Finch, Group Chief Executive, commented:

"Persimmon's performance was strong in 2021 as we delivered more homes, built better and strengthened our platform for future growth. Maintaining build rates at pre-Covid levels, we delivered almost 1,000 additional new homes, and improved customer service such that we anticipate receiving a five-star rating in the annual HBF survey later in March 2022, a first in the company's history, whilst also improving our underlying operating margin.

"An agile approach across the business ensured we navigated the supply chain challenges posed by the pandemic, with our Brickworks, Tileworks and Space4 manufacturing facilities providing security of supply for essential materials and helping us maintain our operating efficiency. We will significantly expand production capacity at our Brickworks and Tileworks facilities this year and invest in a new Space4 timber frame facility.

"We are taking advantage of exciting opportunities in the land market, bringing in over 20,750 plots into our business last year at industry-leading embedded margins, and we expect to open around 75 new outlets in the first half of 2022.

"A year ago, we adopted an industry-leading position regarding the remediation of all cladding and fire related defects on a small number of buildings developed by Persimmon over the last 30 years, which is consistent with the recent amendments to the Building Safety Bill. We await further details including any widening in scope of those developments brought within the Building Safety Levy.

"The new year's trading has started well, with private sales rates ahead by c. 2% in the opening weeks and a robust forward sales position of £2.21bn. We expect to grow our outlet position in 2022 and are targeting volume growth of 4–7% on 2021 levels, whilst maintaining our industry-leading margins, although we are mindful of the growing risk of an economic impact as a result of the tragic conflict in Ukraine."

Financial Highlights

	2021	2020
New home completions	14,551	13,575
New home average selling price	£237,078	£230,534
Total Group revenues	£3.61bn	£3.33bn
New housing revenues	£3.45bn	£3.13bn
Underlying new housing gross margin[1]	31.4%	31.0%
Underlying profit before tax[2]	£973.0m	£863.1m
Profit before tax	£966.8m	£783.8m
Cash at 31 December	£1,246.6m	£1,234.1m
Land holdings at 31 December – plots owned and under control	88,043	84,174
Current number of developments across the UK	c. 290	c. 300
Current forward sales position	£2.21bn	£2.27bn
Net assets per share	1,135.7p	1,102.7p
Underlying return on average capital employed[3]	35.8%	29.4%
Customer satisfaction score[4]	92.0%	89.7%

Trading performance

- Strong demand throughout the year with the Group's average private weekly sales rate being c. 9% higher than 2020, a year significantly impacted by pent up demand brought about by the pandemic, and c. 22% ahead of 2019.
- Average selling prices increased by 2.8% since 2020 reflecting a combination of the mix of homes sold in the year and the increased proportion of homes sold to our housing association partners.
- Effective supply chain management, cost control and the Group's vertical integration, together with strong selling prices, mitigated build cost inflation of c. 5.0% and delivered an industry-leading underlying operating margin[5] of 28.0% (2020: 27.6%).
- Strong net cash generation of £1,209.8m (2020: £1,066.8m) before capital returns of £749.6m and net land spend of £447.7m.

Strengthening our development pipeline

- Added over 20,750 plots of land, both from on market purchases and our strategic land holdings, with industry-leading embedded margins.
- High quality land holdings, with 88,043 plots owned and under control at 31 December 2021 (2020: 84,174 plots).
- Continued investment with gross land spend of £460m in 2021.

Build quality – 'build right, first time, every time'

- An unrelenting focus on 'build right, first time, every time', further enhancing the Group's build quality and customer service.
- Achieved pre-Covid build rates throughout the year, whilst building better quality homes in line with the 'Persimmon Way', the Group's construction excellence programme, which is fully operational across the business.
- Build rates have further improved in the early part of this year as we continue to see the benefit of the Persimmon Way in our build programmes and the Group's vertical integration facilities.
- All warranty provider scores have significantly improved over the last year, with a 17% year on year improvement in the number of NHBC Reportable Incidents[6].

Customer service

- Achieved a 92.0%[4] customer satisfaction score for the survey year ending 30 September 2021. We believe we will achieve a five-star rating when the HBF's annual results are published later in March 2022 for the first time in the company's history.
- FibreNest, the Group's ultrafast, full fibre broadband service, currently supports over 21,000 of our customers across over 270 developments. (2020: over 12,500 customers across 198 developments).

Supporting sustainable communities

- Our private average selling price of £259,231 for the year to 31 December 2021 is over 20%[7] lower than the UK national average.
- Investment of £490m in local communities in 2021, including the delivery of 2,533 new homes for lower income families to our housing association partners.
- Over £1.8m donated to local charities and community groups.
- Challenging science-based carbon reduction targets – net zero homes by 2030 and net zero operations by 2040 – now set and independently accredited by the Science Based Targets initiative.
- Pilot projects, utilising innovative carbon reduction technologies, are underway to determine the most effective methods of delivering net zero carbon homes in use at scale.

Legacy buildings provision

- In February 2021 the Group announced its commitment that no leaseholder living in buildings it developed, would pay for cladding related defects or fire related safety issues.
- Persimmon set aside £75m to pay for rectification works with 33 developments identified, including all those above 11m.
- Four of the identified developments have secured successful EWS1 forms, protecting leaseholders, and are working closely with the Management Companies and building owners of the rest.
- Persimmon will not claim from the Government's Building Safety Fund.
- In line with Government's request, we have extended the search back 30 years but do not expect the number of buildings identified to change materially.

Current trading and outlook

- Persimmon is in an excellent position with strong current forward sales of £2.21bn, a c. 2% year on year increase in the Group's average private weekly sales rate for the first eight weeks of 2022 and strong weekly build rates.
- High quality land holdings with industry-leading embedded margins.
- Diverse network of c. 290 active outlets (2020: c. 300) across the UK with good visibility of c. 75 new outlets coming through in the first half of 2022 providing a strong platform for future disciplined growth.
- Investment in new Space4 factory and output increases at Brickworks (+25%) and Tileworks (+50%) planned for 2022, enhancing security of supply and driving further quality and efficiency gains.
- We expect to deliver volume growth of 4–7% for the full year 2022 from 2021 levels whilst maintaining the Group's industry-leading margins.
- We anticipate a greater proportion of completions in the second half of the year relative to the first reflecting a return to more typical trading patterns and the growth profile of our outlet network.
- We currently anticipate increases in selling prices will mitigate build cost inflation.

Shareholder returns

- Dividends of 125p (£398.7m) and 110p (£350.9m) per share paid on 26 March 2021 and 13 August 2021 respectively.
- Payment of regular annual instalment of 125p per share to be made on 1 April 2022 (brought forward from July 2022) with payment of 110p of surplus capital in July 2022, subject to continuous review, in line with the Group's strategy.

Footnotes

1 Stated before legacy buildings provision (2021: £nil, 2020: £75.0m) and based on new housing revenue (2021: £3,449.7m, 2020: £3,129.5m).
2 Stated before legacy buildings provision (2021: £nil, 2020: £75.0m) and goodwill impairment (2021: £6.2m, 2020: £4.3m). Profit before tax after legacy buildings provision and goodwill impairment is £966.8m (2020: £783.8m).
3 12 month rolling average calculated on underlying operating profit and total capital employed (including land creditors). Underlying operating profit is stated before legacy buildings provision of £nil (2020: £75.0m) and goodwill impairment (2021: £6.2m, 2020: £4.3m).
4 The Group participates in a National New Homes Survey, run by the Home Builders Federation. The rating system is based on the number of customers who would recommend their builder to a friend.
5 Based on new housing revenue (2021: £3,449.7m, 2020: £3,129.5m) and underlying operating profit (2021: £966.7m, 2020: £862.8m) (stated before legacy buildings provision of £nil (2020: £75.0m) and goodwill impairment (2021: £6.2m, 2020: £4.3m)).
6 A Reportable Incident is an area of non-compliance with NHBC Standards. The item is rectified fully before completion of the home.
7 National average selling price for newly built homes sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land registry. Group average private selling price is £259,231.

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A presentation to analysts and investors will be available from 07.00 am on 2 March 2022. To view the presentation, please use the webcast link below:

Webcast link: https://edge.media-server.com/mmc/p/bxvcypb6

There will also be a Q&A session with management, hosted by Group Chief Executive, Dean Finch, Chief Commercial Officer, Martyn Clark, Group Financial Controller, Mike Smith and Julia Nichols, Group Strategy and Regulatory Director, via conference call at 9.00am. Analysts may join the call by using the details below:

Telephone number: +44 (0) 33 0551 0200

Passcode: Persimmon

An audiocast of the call will be available on www.persimmonhomes.com/corporate from this afternoon.

Chairman’s Statement

Introduction

I am pleased to report that Persimmon has had a strong year. The Group has sold more homes and built them to a consistently higher standard, while improving both profit and underlying operating margin. In combining improvements in quality, customer service and financial performance we are making the broader progress we set as our objective.

Since I joined as Chairman I have been clear that there were areas for improvement in customer care and build quality especially. Dean Finch’s appointment around 18 months ago recognised the need to drive both our industry-leading financial performance and enhance our capabilities in key areas to sustain our success. I am therefore delighted to note that throughout the year we have been consistently trending above five-star on the Home Builders Federation (HBF) customer satisfaction score[1] and anticipate our first ever annual five-star award will be confirmed in the coming weeks.

This is a tangible demonstration of our progress but there is of course further to go to sustain and improve on it. This remains the clear focus of the Board and the senior management team.

Trading

The UK housing market remains supportive, with strong customer demand, good mortgage availability and low interest rates. The Group saw an increase in legal completions of nearly 1,000 homes to 14,551 last year (2020: 13,575). Average private sales rates per site were around 9% ahead of 2020 and around 22% ahead of 2019. Group total revenue increased by 8% to £3.61bn (2020: £3.33bn). Our continued disciplined cost control, combined with a positive pricing environment, drove underlying operating margin[2] up to 28.0% (2020: 27.6%) and our underlying pre-tax profit[3] increased to £973.0m (2020: £863.1m). Cash generation remains strong at £762.1m (pre-capital return).

This is a pleasing performance and a credit to our highly experienced and agile teams right across our business. They have expertly managed the challenges presented by the pandemic, material and labour shortages, and cost inflation, to achieve it.

We have increased our land investment, bringing in over 20,750 plots into the business, whilst maintaining our industry-leading margins. This strengthens our platform for future growth.

Over a year ago, in February 2021 we announced our industry-leading commitment to protect leaseholders from having to pay towards cladding removal or fire related safety issues on any building we constructed and set aside £75m to fund this. Whilst accounting for less than one percent of high rise buildings constructed we wanted to protect our customers and remove uncertainty for them. With 33 developments identified, including four where successful EWS1 forms have now been secured, we are already showing leadership and protecting leaseholders and will continue to engage positively with government.

Persimmon was also the first major developer to agree voluntary undertakings with the Competition and Markets Authority (“CMA”) in respect of leaseholds, extending our existing schemes to offer leaseholders an even greater discount on the purchase of their freeholds. We were also delighted to become a Living Wage Foundation accredited employer and have our carbon targets accredited by the blue ribbon Science Based Target initiative during the year.

Long term strategy and Capital Return Programme

Persimmon has delivered an industry-leading performance over many years with a well-executed strategy which recognises the cyclical nature of the housing market. Over the last 20 years, the Group’s average return on capital has been c. 23% reflecting the Group’s long-term performance. With an experienced management team, the Group’s strong positioning in its markets, reflected in robust forward sales of £2.21bn, and our high quality land holdings, we are determined to sustain this for many years to come by delivering on the five key priorities Dean Finch, our Group Chief Executive, sets out in his statement. We are investing in our platform for future growth, whilst maintaining our disciplined strategy around land investment, improving the Group's operational efficiencies and placing our customers at the heart of our business.

The Board continues to consider that, under normal circumstances, cash holdings of c. £700m are appropriate for the business, providing the right balance between ensuring appropriate liquidity levels are maintained to cover the Group's annual working capital requirements and providing sufficient funds to take advantage of attractive investment opportunities. This cash retention policy demonstrates that we intend to continue to exercise caution through the cycle.

The Board remains committed to its well-established strategy of returning capital that is surplus to the needs of the business to its shareholders. Having assessed and concluded on the availability of surplus capital for 2021, the Board is pleased to re-iterate its intention to return 235p per share in 2022. The first payment of 125p per share will be made on 1 April 2022 (rather than July 2022 as was originally indicated) to shareholders on the register on 11 March 2022 as an interim dividend. The second payment of 110p per share will be made in July 2022 (rather than March 2022 as was originally indicated), subject to continuous assessment in line with our strategy.

Board changes

Mike Killoran retired as Group Finance Director in January 2022 after more than 25 years with Persimmon. Mike has played a key part in Persimmon's success and he leaves with our thanks and best wishes. I am delighted that we have appointed Jason Windsor as Chief Financial Officer and we expect him to join us in the summer.

The Board also welcomed Shirine Khoury-Haq who joined as a Non-Executive Director during the year. Rachel Kentleton decided to stand down from the Board during the year given other commitments and the Board thanks her for her contribution.

In what was again a very difficult year operationally, the Board would like to thank our colleagues, sub-contractors and suppliers for their hard work and determination to deliver for our customers.

Footnotes

1 The Group participates in a National New Homes Survey, run by the Home Builders Federation. The rating system is based on the number of customers who would recommend their builder to a friend.

2 Based on new housing revenue (2021: £3,449.7m, 2020: £3,129.5m) and underlying operating profit (2021: £966.7m, 2020: £862.8m) (stated before legacy buildings provision of £nil (2020: £75.0m) and goodwill impairment (2021: £6.2m, 2020: £4.3m)).

3 Stated before legacy buildings provision (2021: £nil, 2020: £75.0m) and goodwill impairment (2021: £6.2m, 2020: £4.3m). Profit before tax after legacy buildings provision and goodwill impairment is £966.8m (2020: £783.8m).

Chief Executive Statement

Introduction

Persimmon has performed very strongly in 2021. I am delighted that we have delivered nearly 1,000 more legal completions and generated a 40 basis point increase in the Group's underlying operating margin[1] year on year (2021: 28.0%, 2020: 27.6%) while further improving our five-star HBF 8 week customer satisfaction score to 92.0%[2]. We are preserving Persimmon's great strengths and continuing to deliver an industry-leading performance whilst making good progress in enhancing our build quality and customer service on a consistent basis.

Trading

The Group delivered 14,551 new homes in 2021 (2020: 13,575) underpinned by a supportive housing market. Total Group revenues were £3.61bn, an 8% increase year on year (2020: £3.33bn). Our new housing revenues increased to £3.45bn in 2021 from £3.13bn in the prior year.

Demand was strong throughout 2021: the Group's average private sales rate per site was c. 9% ahead of 2020 and c. 22% ahead of 2019 reflecting Persimmon's positive positioning within a healthy housing market. This backdrop has supported positive pricing conditions with increased average selling prices for private sales seen across each of our regions. Our average selling price increased by 2.8% to £237,078 (2020: £230,534) reflecting a combination of the mix of homes sold in the year and the increased proportion of homes sold to our housing association partners. The Group's private average selling price increased by 3.3% to £259,231 (2020: £250,897) reflecting the mix of developments and house types sold in the year.

Our build rates were maintained at pre-Covid levels throughout 2021 as our highly experienced and responsive management teams navigated through the challenges posed by the pandemic and the supply chain restrictions experienced.

Our vertical integration, through our own Brickworks, Tileworks and Space4 timber frame manufacturing facilities were key in providing the business with security of supply of essential materials. In addition, using timber frames in our build improves on-site efficiencies and reduces our reliance on constrained skills.

The Group continues to deliver industry-leading margins, a key strength I am determined to build on. Our rigorous cost control helped mitigate material and labour cost inflation, while a disciplined approach to pricing helped more than offset its impact. Underlying operating margin[1] increased to 28.0% (2020: 27.6%), reflecting a benefit from the mix of legal completions achieved in the second half of the year.

Underlying profit before tax[3] grew to £973.0m (2020: £863.1m) and our cash generation to £762.1m (pre-capital return) (2020: £740.9m). The Group's profit before tax increased to £966.8m (2020: £783.8m).

Our increased investment in land opportunities is strengthening our platform for disciplined future growth, with over 20,750 plots brought into the business during the year, at a replacement rate of 143% of current consumption levels. Further, these opportunities were secured with attractive embedded margins, enabling Persimmon to continue to deliver leading financial performance. With this strong pipeline we will increase our UK-wide outlet position providing an excellent platform for the Group's future disciplined growth.

This strong performance was delivered whilst continuing to make good progress in bringing our customers into the heart of our business, putting them before volume, and taking important steps in recognising our role as a responsible developer. We were one of the first developers to give leaseholders a commitment they would not have to pay to remove cladding; led the industry in agreeing voluntary undertakings with the CMA on leaseholders purchasing their freeholds; and, became a Living Wage Foundation accredited employer. A new Mission, Vision and Values has been launched clearly setting out our ambitions and ways of working as a business.

Persimmon has a unique balance of strengths and skill-sets:

- Our market positioning, with an average private selling price that is over 20%[4] lower than the UK national average together with our role in developing communities in places where people wish to live and work, uniquely positions us to widen the opportunity of home ownership to our customers;
- Our high quality land holdings with industry-leading embedded margins – the Group increased its owned and under control land holdings to 88,043 plots at 31 December 2021 supporting our UK-wide outlet network and providing a strong platform for disciplined growth;
- Our strong and experienced management teams, a large number of whom have been with the business for many years;
- Our focus on all aspects of operational efficiency and relentless pursuit of build cost efficiencies, including our disciplined approach to land buying, our carefully designed standardised house type range, rigorous master planning and market mix analysis;
- Our innovation and entrepreneurship resulting in us establishing, for example, our own vertical integration capabilities, with our Brickworks and Tileworks manufacturing facilities that provide us with security of supply and our Space4 timber frame manufacturing facility that reduces our reliance on constrained skills and increases on-site efficiencies. In addition, FibreNest, our ultrafast full fibre to the home broadband service, provides our customers with connection from the point they move into their new home.

At every stage of the process we have teams diligently focused on maximising value for customers and our business alike.

Placing customers at the heart of our business and our continuing pursuit of improvements in build quality and customer service is further strengthening our position. Our high quality land holdings, effective operational management and diverse network of sites across the UK provide an excellent platform to help deliver the homes that the country needs. Our focus on our five key priorities for the business will further enhance Persimmon's strengths and continue to drive real improvements across the Group, sustaining our industry-leading financial performance.

Delivery against our five key priorities

In short, during the year we delivered more homes, built better and strengthened our platform for future growth. As our results demonstrate, the five key priorities I set out last year are driving important progress, building on Persimmon's great strengths and enhancing our focus in certain key areas. These five key priorities will underpin and sustain our future success:

- Build quality: our ambition is to build right, first time, every time;
- Reinforce trust in the brand: we will be consistently trusted to deliver a home to be proud of and a builder customers would readily recommend to others;
- Disciplined growth: through our improvements in build quality and increased focus on customer care we will be strengthening our capability to deliver more five–star homes to meet the strong demand;
- Maintaining an industry-leading financial performance: sustaining our strong margins and returns and driving healthy profit and cash generation;
- Sustainable communities: we will play a full and active role in the imperative of achieving a net zero carbon economy, as well as setting new biodiversity and sustainable community targets.

Quality

Our focus on build quality is summed up by our determination to build right, first time, every time – the mantra of our Persimmon Way construction excellence programme. As a responsible developer, we recognise the importance of delivering high quality homes to our customers and are aligned with government's aims of enhancing quality across the industry. We welcome the introduction of the New Homes Quality Board and our ambition to be an industry leader is demonstrated by the fact we are an early signatory to the New Homes Quality Code. The code is designed to drive build quality and customer service improvements across the industry, in line with Persimmon's renewed ambition.

Last year, I made build quality my first priority, as I want Persimmon to be known for outstanding service as well as outstanding value, further securing our strong market positioning and increasing the value of the homes we build. Improving build quality will also deliver further improvements in our build costs as we increase on-site efficiencies and reduce the cost of remediation.

We have made good progress. All warranty provider scores have significantly improved over the last two years, with NHBC Reportable Incidents[5] down over 33%. Our build quality score on the HBF 8 week survey[6] has improved by 11% over the last two survey years.

We have achieved this progress by strengthening our standards, training, oversight and reward structures. To take each in turn. A new build standards guide and more exacting build tolerances which are set above prevailing industry norms have been published under our Persimmon Way programme. These are being augmented by construction excellence seminars, led by the Group Construction Director and senior local leaders, to disseminate best practice. They are already proving very popular.

Our sub-contract tendering process has been revised to emphasise quality and customer service performance alongside cost efficiency considerations. We are also seeking to become one of the first Building a Safer Future Charter Champions, recognising our renewed level of ambition for build quality and safety.

We have strengthened oversight to enhance the assurance of consistent delivery. In the last year, we have more than doubled our team of Independent Quality Controllers (IQCs) from 29 to 60. We believe this is the largest independent team of inspectors in the industry. Each key stage of development must be independently verified as complete and at the required standard before further work can continue. Our commitment to independent oversight is also demonstrated by undertaking our first external audits of the Persimmon Way's implementation both across our sites and within each of our 31 operating businesses by a leading national quality inspection consultancy. Alongside this, we are investing further in digitised site inspection, including a site manager app that provides a clear record of quality sign off and accountability as well as prompting tasking and completion of any necessary work.

To reinforce this renewed focus, our senior management bonus scheme was restructured last year to incorporate build quality and customer service targets. In the current year, this approach is being extended across the organisation, including to our site management teams. We will shortly announce the first national winner of our Construction Excellence Awards, with 31 local and five divisional winners already recognised for their build quality standards. I was also delighted to see our first NHBC Pride in the Job Awards winners in two years, recognising excellent site management practice. I look forward to many more awards in the years to come.

Reinforcing trust

Focusing on consistently delivering quality is the foundation of our renewed approach. As I said last year, Persimmon is known for outstanding value; I want us to equally be known for outstanding quality and service. Our recent progress on our HBF 8 week customer satisfaction score is therefore welcome and encouraging. From closing the 2019/2020 survey year at 89.7%, we are reporting a score of 92.0%[2] for the 2020/2021 survey year. We believe, for the first time in Persimmon's history, we will achieve a five-star rating when the results are published shortly.

I am determined to build even further on this progress. To reinforce trust we will continue to seek further improvement to both our 8 week and 9 month scores. We continue to invest in training to embed the new priorities further. For example, we have rolled out a Persimmon Site Manager Essentials course and c. 90% of our site managers have now gained an NVQ, up from 21% last January. Our Persimmon Pathway provides tailored programmes for staff and in the last year over 21,000 hours of training was delivered by our in-house team alone. We were also the first homebuilder to offer sales advisors a route to professional accreditation through a partnership with the Institute of Sales Professionals.

FibreNest continues to be a real strength for the Group, with over 21,000 customers across more than 270 developments now connected to our national ultrafast broadband network. Created to address persistent customer frustration that established internet providers were not connecting their homes from the day they moved in, FibreNest has seen a sustained improvement in day one connection rates, so they averaged over 85% during 2021, with the start of 2022 showing a further notable improvement. Customers increasingly view broadband as a key utility and FibreNest's gigabit ready, ultrafast network is therefore an important part of our service. Indeed, last year FibreNest launched a new Wholesale Services division to encourage other retail service providers to use our network and meet our ambition of expanding customer choice.

Acting as a responsible developer, over a year ago, we led the industry in making a commitment to leaseholders that they would not have to pay to remove any cladding or correct fire related safety issues on any buildings we constructed. We created a £75m fund to pay for this work and set up a Special Projects Team to complete the programme as quickly as possible. This team wrote proactively to the Management Companies and owners of all potentially affected buildings going back 22 years and identified 33 developments where work is required. Of the 33 developments identified, 3 are below 11 metres, 16 are between 11m and 18m and 10 are taller than 18m. The remaining four developments have already secured successful EWS1 forms. We are working with Management Companies and building owners to help expedite their programmes to provide reassurance to leaseholders as soon as possible.

In response to the Government's request we have extended the search back to 30 years but do not expect the number to change materially. We will not claim from the Government's Building Safety Fund to complete the works on these buildings and will reimburse any funding already claimed by the Management Companies involved. We hope these actions will lead to us becoming a member of the government's new Building Industry Scheme and continue to engage in positive discussions with officials.

Disciplined growth

Alongside the focus on consistent delivery of quality and service, we are determined to drive disciplined growth in the business and sustain our industry-leading performance. We have highly experienced land and planning teams in our operating businesses with in depth knowledge of their local communities' needs. In combining this with expert design and place making skills we create communities that meet our customers' needs.

In the second half of 2021 we operated from an average of 285 outlets reflecting the high sales rates achieved and some planning delays experienced. We have clear visibility on our pipeline of new outlets and, subject to planning consents, are forecasting to open around 75 new outlets in the first half of 2022. We have had some success in gaining planning consents in the early part of this year, however, the process continues to move at a slow pace. We aim to continue to grow our UK-wide outlet network to c. 320 building on this momentum through 2023 and beyond providing an excellent platform for disciplined growth.

In 2021 we invested £460m in land payments (including around £180m of deferred land creditor payments). We brought in over 20,750 plots across 101 sites into the business. This represents a land replacement rate of 143% compared to our current output level. I am delighted that we have achieved this while maintaining our industry-leading embedded margins. This investment is strengthening our platform for growth.

Industry-leading financial performance

We seek to combine our very strong platform of experienced and skilled teams and high quality land holdings with a focus on quality and re-enforcing trust in our brand to further enhance our industry-leading financial performance. I have set out above how the quality and build right, first time, every time focus helps here.

Our Space4, Brickworks and Tileworks factories have also proven crucial tools in both maintaining security and consistency of supply and securing build efficiencies, especially in a period of material and labour cost inflation. Through the bulk buying of raw materials and stable labour costs within our factories, we have been able to maintain a price advantage compared to the open market. Further, our use of Space4 timber frames in 33% of our homes built in the year, reduces our reliance on bricklayers, where labour shortages have been most pronounced.

These factories will play an increasingly crucial role in our security of supply, quality control and drive to secure cost-efficiencies. We are already looking to expand production – through increased shifts and product lines – across our Brickwork and Tilework factories. We anticipate increasing output at Brickworks by 25% and at Tileworks by over 50% this year. We also plan to start building a new Space4 factory in 2022, updating the technology and techniques to drive enhanced quality and further efficiency gains. We anticipate – for example – that the new factory's product will improve our speed of build by up to five days per house.

This focus on cost efficiency is demonstrated in our underlying operating margin[1], which grew to 28.0% (2020: 27.6%) and further progress on the Group's underlying return on average capital employed[7], increasing to 35.8% (2020: 29.4%).

The Group has generated net cash of £1,209.8m (2020: £1,066.8m) before capital returns of £749.6m and net land spend of £447.7m supporting investment in the future disciplined growth of the business and the sustainable delivery of our Capital Return Programme. The Board is pleased to re-iterate its intention to return 235p per share in 2022.

Sustainable communities

Persimmon is proud of the important role it plays in communities across the country. With our average selling price over 20%[4] lower than the industry average and the recent addition of smaller house types to our core product range, we are opening up the opportunity of homeownership to thousands of families who otherwise might not be able to achieve it. We provide well-paid, skilled employment across the country and have been reviewing our apprenticeship programmes to enhance our routes into employment for those who might otherwise either not consider or struggle to access construction jobs. A new innovative partnership with Bridgend College, where we have installed classroom facilities on one of our sites so the college can deliver courses to students directly, is a good example of our work in this area.

Our Community Champions and Building Futures programmes donated over £1.8m to local communities and good causes in 2021. Through our planning contributions we have paid £127m for new educational, medical and community facilities that benefit all local residents near our developments.

We recognise our important role in helping the UK achieve its climate change targets and ambitions. That is why we set stretching targets, accredited by the blue-ribbon Science Based Targets initiative. As part of a broader suite of commitments we have made pledges to have net zero carbon homes in use from 2030 and net zero operations from 2040. We have already taken action, switching all our offices and manufacturing facilities to 100% renewable energy last year. We have also introduced electric vehicle options into our car fleet and are investigating options to reduce our diesel use, including through alternative fuels trials for our construction plant and equipment.

Our new homes are already 30% more energy efficient than the second hand housing stock. We are determined to meet the demanding targets set for new build homes through the building regulations and Future Homes Standard in a cost efficient way and are running technology trials to assess options for innovation. On our Germany Beck site in York, our zero carbon home will shortly be welcoming its tenants who will live in the house as part of a joint project with the University of Salford to assess the effectiveness of its zero carbon technologies and build techniques and to discover what it is like to live in a zero carbon home.

Renewed focus and further opportunity

We have made important headway but I am determined to drive even further progress and have taken steps to achieve it.

We have recently launched our Mission, Vision and Values. They build on Persimmon's many strengths and our recent progress to strive even higher, to be Britain's leading homebuilder, with core values that demonstrate how we will achieve it. The new Mission, Vision and Values further embeds the five key priorities into how we operate as a business.

Our Mission is simple: to build homes with quality our customers can rely on at a price they can afford.

Our Vision is to be Britain's leading homebuilder, with quality and customer service at its heart, building the best value homes on the market in sustainable and inclusive communities. We will invest in innovation and technology to extend our low cost strengths and enhance our five-star capabilities to enable as many people as possible to buy the homes we build.

To achieve this we will live by our five core values: customer focused, value driven, team work, social impact and excellence always.

I am delighted that these values have been warmly embraced across the business and look forward to delivering on the ambition they set out.

Our experienced management teams

We have highly experienced management teams and are proud to provide our colleagues with rewarding career opportunities. We continue to build on our track record of promoting from within, with 177 colleagues promoted during the year.

A new senior management structure has been established to combine an even greater focus on consistent build quality and customer service with an even sharper commercial approach. These changes draw on internal experience and expertise to provide a structure that supports and challenges local teams to meet their targets and explore new opportunities for growth.

Paul Hurst (UK Managing Director), John Eynon (Deputy UK Managing Director) and Andy Fuller (Group Construction Director) together provide an operational senior management team with over 100 years of industry experience. Our regional teams will report into Paul and John, with Andy working closely alongside them, to ensure we deliver the improved consistency of standards the Persimmon Way demands throughout the business, while meeting our growth ambitions. Both Paul (Space4) and John (Brickworks and Tileworks) are also chairmen of our own factories leading our drive to deliver both enhanced products and greater efficiency.

Martyn Clark has become our Chief Commercial Officer, leading on all commercial aspects, including new business development and enhancing our relationships with key external partners. With a number of Group functions reporting to him, Martyn will ensure we co-ordinate our approach, so that the operational teams have the best possible opportunity to meet our targets. A key aspect of the role is to ensure that we maintain the recent progress in land buying, bringing in assets to the business at industry-leading margins, while also seeking to work with local authorities to secure faster planning permissions. Martyn will also lead our further innovation and value creation opportunities.

With this highly experienced team in place, we will continue to enhance our capability to deliver five-star performance consistently and maintain our industry-leading financial performance. Persimmon has many opportunities ahead of it and I look forward to securing the growth, quality and efficiency opportunities necessary to drive our continued industry-leading performance.

Outlook

The UK housing market remains supportive with demand continuing to exceed supply, favourable interest rates and good levels of mortgage availability. The business is in a strong position. We are leading the industry as a responsible developer; we were one of the first developers to agree voluntary undertakings with the CMA on leaseholders purchasing their freeholds and to give leaseholders a commitment they would not have to pay to remove cladding. We identified 33 developments where work is required, have already contacted relevant Management Companies and building owners to help expedite their programmes and have successfully secured EWS1 forms on four of the 33 developments.

With a new senior management structure, comprising colleagues from within the business, supporting an experienced and agile team, a growing outlet network and high quality land holdings, I expect to deliver further growth this year and through the medium term. For 2022, we are targeting 4–7% volume growth whilst maintaining our industry-leading margins. We currently anticipate increases in selling prices will mitigate build cost inflation.

We have already made a strong start to the year with £2.21bn of forward sales. Our private average weekly sales rate per site for the first eight weeks of 2022 is c. 2% ahead of the prior year. We anticipate a greater proportion of completions in our second half relative to our first reflecting more typical trading patterns and the growth profile of our outlet network. Group margin is expected to reflect the increased proportion of homes sold to our housing association partners. Our build rates, which were at pre-Covid levels throughout 2021, have improved in the early weeks of this year.

Some short term uncertainties remain, particularly regarding cost inflation, potentially rising interest rates and the impact of the current geo-political environment on the UK economy. The speed of achieving planning consents remains an issue and the withdrawal of the Government's Help to Buy scheme is still planned for March 2023. In addition, the recent Building Safety Bill amendments include the potential significant widening of those developments brought within the Building Safety Levy's scope.

Given our unique market positioning with attractively priced homes, our high quality land holdings and strong cash position, our focus on customers and quality, building on our existing strengths and driving further operational efficiencies (including the investment in a new Space4 factory and our Brickworks and Tileworks facilities securing build programme and cost efficiencies) the Board is confident of the Group's future success.

Footnotes

1 Based on new housing revenue (2021: £3,449.7m, 2020: £3,129.5m) and underlying operating profit (2021: £966.7m, 2020: £862.8m) (stated before legacy buildings provision of £nil (2020: £75.0m) and goodwill impairment (2021: £6.2m, 2020: £4.3m)).
2 The Group participates in a National New Homes Survey, run by the Home Builders Federation. The rating system is based on the number of customers who would recommend their builder to a friend.
3 Stated before legacy buildings provision (2021: £nil, 2020: £75.0m) and goodwill impairment (2021: £6.2m, 2020: £4.3m). Profit before tax after legacy buildings provision and goodwill impairment is £966.8m (2020: £783.8m).
4 National average selling price for newly built homes sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land registry. Group average private selling price is £259,231.
5 A Reportable Incident is an area of non-compliance with NHBC Standards. The item is rectified fully before completion of the home.
6 The Group participates in a National New Homes Survey, run by the Home Builders Federation. The build quality score is based on how satisfied customers are with the quality of their home..
7 12 month rolling average calculated on underlying operating profit and total capital employed (including land creditors). Underlying operating profit is stated before legacy buildings provision of £nil (2020: £75.0m) and goodwill impairment (2021: £6.2m, 2020: £4.3m).

FINANCIAL REVIEW

Trading

The Group entered 2021 in a resilient position with forward sales at c. £1.69bn and work in progress including c. 5,600 new homes under construction. Trading through the year was strong with increased selling prices across our regions and healthy levels of customer demand, the Group's average private sales rate per site being c. 9% ahead of 2020 and c. 22% ahead of 2019.

For 2021, the Group generated total revenues of £3.61bn (2020: £3.33bn), with new housing revenue of £3.45bn (2020: £3.13bn). The Group delivered 14,551 new homes (2020: 13,575) at an average selling price of £237,078 (2020: £230,534), 2.8% higher than the prior year.

The Group delivered 12,018 new homes to private owner occupiers (2020: 11,363) at an average selling price of £259,231 (2020: £250,897). This 3.3% year on year increase largely reflecting improvements in achieved selling prices and the mix of new homes sold. The Group delivered a further 2,533 new homes to our housing association partners (2020: 2,212) at an average selling price of £131,976 (2020: £125,930).

The Group's underlying gross profit[1] for the year was £1,083.8m (2020: £969.4m) generating a new housing gross margin of 31.4%[2] (2020: 31.0%). The Group's well established land replacement strategy, the improved selling prices achieved and good management of the cost inflation we have experienced during the year continues to deliver industry-leading margins.

Underlying operating profit[3] for the Group was £966.7m (2020: £862.8m), generating an underlying new housing operating margin[4] of 28.0% (2020: 27.6%) as the second half benefitted from the particular mix of legal completions achieved.

The Group generated a profit before tax of £966.8m in the year (2020: £783.8m).

Taxation

The Group has an overall tax charge of £179.6m for the year (2020: £145.4m) and an effective tax rate of 18.6% (2020: 18.6%), marginally lower than the mainstream rate of 19.0%. Factors that may affect the Group's taxation charge include changes in tax legislation and the closure of certain open matters in the ordinary course of business in relation to prior year's tax computations.

Balance sheet strength

Net assets of £3,625.2m at 31 December 2021 (2020: £3,518.4m), including retained earnings of £3,055.1m (2020: £2,950.9m), underpin the Group's balance sheet strength. After returning £749.6m of surplus capital to shareholders during the year, the Group's reported net assets per share was 1,135.7p, an increase of 3% compared with the prior year (2020: 1,102.7p). Underlying return on average capital employed[5] as at 31 December 2021 was 35.8% (2020: 29.4%), further demonstrating the resilience of the business. Underlying basic earnings per share[3] for the year was 248.7p, a 12.7% increase on the prior year (2020: 220.7p).

The Group's defined benefit pension asset has increased to £148.8m at 31 December 2021 (2020: £50.6m). The increase is largely due to the recovery in markets and good asset performance combined with the actuarial benefit from the increase in discount rates through the year.

In February 2021 we pledged to support leaseholders in multi-storey developments we built that required cladding removal and in obtaining the EWS1 form they need to sell their home. As part of this pledge we created a £75.0m fund and have been in contact with management companies and building owners to ensure the required progress is being made. During the year works have been undertaken across a number of affected developments resulting in total spend of £2.3m. At 31 December 2021, the provision stands at £72.7m and is management's best estimate of the costs of completing works to ensure fire safety on the remaining affected buildings under direct ownership and on those under third party ownership we have developed.

The Group's land holdings

At 31 December 2021, the carrying value of the Group's land asset was £1,798.2m (2020: £1,722.1m), reflecting the Group's disciplined land replacement strategy and the strong sales performance the Group has experienced during the year. The high quality of the Group's land holdings are reflected in the Group's land cost recoveries for the year of 13.2% of new housing revenue (2020: 14.2%).

The Group increased its owned and under control land holdings to 88,043 plots at 31 December 2021 (2020: 84,174 plots) to facilitate future output growth and to support the Group's national outlet network. 67,089 plots are owned of which 39,079 have detailed implementable planning consents. A further 20,954 plots are under the Group's control, being plots where the Group has exchanged contracts to acquire the site but have yet to complete the contract due to outstanding planning conditions remaining unfulfilled.

During the year the Group's experienced land and planning teams successfully progressed c. 14,400 under control plots through the planning system, transferring them into the Group's owned land holdings. The Group's owned land holding provides excellent visibility of the near to medium term with 4.6 years of forward supply at 2021 volumes, an overall pro-forma gross margin[6] of c. 33% and a cost to revenue ratio of 11.4%[7] (2020: 11.9%).

The Group continued to pursue its disciplined land replacement strategy of identifying new land in areas where people wish to live and work, providing new housing in areas where there is the most need. The Group brought over 20,750 plots into its owned and under control land holdings across 101 locations, with 10,220 of these plots converted from our strategic land portfolio. In line with our expectations, we have incurred land spend of £460.0m in the year, including £178.5m of payments in satisfaction of deferred land commitments.

During 2021, the Group acquired interests in a further 480 acres of strategic land, securing a total of c. 13,700 acres at 31 December 2021 (2020: c. 15,500 acres). This provides a long-term supply of forward plots for future development by the Group.

Work in progress

Against the backdrop of a reduced number of sales outlets, the delivery of increased volume of new homes, material and labour resource shortages we have successfully maintained our build rates at pre-Covid levels. This has resulted in our work in progress investment at 31 December 2021 of £1,054.1m being only c. 3% lower than the level of investment we entered 2021 (2020: £1,091.6m). The Group's level of work in progress of c. 4,100 equivalent units of new homes construction at the end of 2021 provides a robust opening position that will support the Group's build programmes for the first half of 2022 and deliver the new homes the country needs.

We are focused on driving strong levels of build throughout 2022, managing the continuing operational challenges we face and securing the availability of key build components through our in-house manufactured bricks, roof tiles, closed panel timber frame kits and pre-manufactured roof cassettes, whilst delivering high levels of customer satisfaction and build quality.

Cash generation and liquidity

The Group had a cash balance of £1,246.6m at 31 December 2021 (2020: £1,234.1m). During the year the Group generated £1,209.8m (2020: £1,066.8m) of cash before returning £749.6m of surplus capital to shareholders and net land spend of £447.7m. The Group's deferred land commitments have increased by £78.3m to £407.6m from £329.3m at 31 December 2020 reflecting the Group's increased activity in the land market throughout 2021. The Group's healthy liquidity position will provide further opportunity to support the future growth of the business. Cash generated from operations was £972.8m (2020: £993.3m).

In addition, the Group has an undrawn £300m Revolving Credit Facility which extends out to 31 March 2026.

The Group's shared equity loans have generated £18.9m of cash in the year (2020: £16.4m). The carrying value of these outstanding shared equity loans, reported as "Shared equity loan receivables", is £45.6m at 31 December 2021 (2020: £56.2m). The Board has reviewed the carrying value of these receivables and has concluded that the value is appropriate.

Net finance income for the year was £6.3m (2020: £0.3m) and includes £7.9m of gains generated on the Group's shared equity loan receivables (2020: £4.0m) and £1.8m of imputed interest payable on land creditors (2020: £5.4m).

Shareholders' equity, treasury policy and related risks

The Group's strategy of minimising financial risk and retaining flexibility reflects the cyclical nature of the housing market. The return of any capital that is deemed surplus to the needs of the business through the Group's Capital Return Programme remains a key element of this strategy. The Programme is continually reviewed and assessed by the Directors having regard to the progress and trading position of the business, existing economic and market conditions, the Group's current land holdings and other investment opportunities. The total value paid of the Capital Return Programme to 2021 was £13.00 per share, compared to the £6.20 per share initial commitment made by the Board in 2012.

The business maintains a robust balance sheet with an efficient capital structure and stringent controls around its working capital management. The Group's £300m Revolving Credit Facility provides an important element in the Group's working capital resource and flexibility. These facilities will only be used to support short-term working capital needs of the business.

The Group will continue to effectively manage its liquidity and working capital investment needs, whilst ensuring they are aligned with the Group's focus on work in progress investment to support an increase in the equivalent units of new home construction that will support good levels of stock availability and the high levels of build quality and customer service we currently deliver. The Group will continue to ensure it maintains flexibility when considering the generation of after tax earnings, and the management of the Group's equity, debt and cash management facilities. This approach will mitigate the financial risks the Group faces and maintain the Group's robust balance sheet and strong liquidity levels, securing a resilient position for the future.

Footnotes

1 Stated before legacy buildings provision of £nil (2020: £75.0m)
2 Based on new housing revenues of £3,449.7m (2020: £3,129.5m) and underlying gross profits of £1,083.8m (2020: £969.4m) (stated before legacy buildings provision of £nil (2020: £75.0m)).
3 Stated before legacy buildings provision of £nil (2020: £75.0m) and goodwill impairment (2021: £6.2m, 2020: £4.3m).
4 Based on new housing revenue (2021: £3,449.7m, 2020: £3,129.5m) and underlying operating profit (2021: £966.7m, 2020: £862.8m) (stated before legacy buildings provision of £nil (2020: £75.0m) and goodwill impairment (2021: £6.2m, 2020: £4.3m)).
5 12 month rolling average calculated on underlying operating profit and total capital employed (including land creditors). Underlying operating profit is stated before legacy buildings provision (2021: £nil, 2020: £75.0m) and goodwill impairment (2021: £6.2m, 2020: £4.3m).
6 Estimated weighted average gross margin based on assumed revenues and costs at 31 December 2021 and normalised output levels
7 Land cost value for the plot divided by the anticipated future revenue of the new home sold.

PERSIMMON PLC

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	**2021 Total £m**	2020 Total £m
Revenue	3	**3,610.5**	3,328.3
Cost of sales		**(2,526.7)**	(2,433.9)
Gross profit		**1,083.8**	894.4
Analysed as:			
Underlying gross profit		**1,083.8**	969.4
Legacy buildings provision	9	**-**	(75.0)
Other operating income		**6.4**	5.4
Operating expenses		**(129.7)**	(116.3)
Profit from operations		**960.5**	783.5
Analysed as:			
Underlying operating profit		**966.7**	862.8
Legacy buildings provision		**-**	(75.0)
Impairment of intangible assets		**(6.2)**	(4.3)
Finance income		**9.9**	8.9
Finance costs		**(3.6)**	(8.6)
Profit before tax		**966.8**	783.8
Analysed as:			
Underlying profit before tax		**973.0**	863.1
Legacy buildings provision		**-**	(75.0)
Impairment of intangible assets		**(6.2)**	(4.3)
Tax	4	**(179.6)**	(145.4)
Profit after tax (all attributable to equity holders of the parent)		**787.2**	638.4
Other comprehensive income/(expense)			
Items that will not be reclassified to profit:			
Remeasurement gain/(loss) on defined benefit pension schemes	12	**83.3**	(42.5)
Tax	4	**(24.8)**	6.5
Other comprehensive income/(expense) for the year, net of tax		**58.5**	(36.0)
Total recognised income for the year		**845.7**	602.4
Earnings per share			
Basic	6	**246.8p**	200.3p
Diluted	6	**245.6p**	199.6p

PERSIMMON PLC

Consolidated Balance Sheet

As at 31 December 2021

	Note	**2021 £m**	2020 £m
Assets			
Non-current assets			
Intangible assets		**175.6**	181.8
Property, plant and equipment		**99.0**	90.4
Investments accounted for using the equity method		**0.3**	2.1
Shared equity loan receivables	8	**35.7**	41.7
Trade and other receivables		**0.6**	4.0
Deferred tax assets		**9.7**	7.7
Retirement benefit assets	12	**148.8**	50.6
		469.7	378.3
Current assets			
Inventories	7	**2,920.7**	2,901.3
Shared equity loan receivables	8	**9.9**	14.5
Trade and other receivables		**123.9**	86.6
Current tax assets		**21.4**	8.3
Cash and cash equivalents	11	**1,246.6**	1,234.1
		4,322.5	4,244.8
Total assets		**4,792.2**	4,623.1
Liabilities			
Non-current liabilities			
Trade and other payables		**(203.4)**	(179.3)
Deferred tax liabilities		**(54.6)**	(22.9)
Partnership liability		**(23.8)**	(27.8)
		(281.8)	(230.0)
Current liabilities			
Trade and other payables		**(807.0)**	(794.2)
Partnership liability		**(5.5)**	(5.5)
Legacy buildings provision	9	**(72.7)**	(75.0)
		(885.2)	(874.7)
Total liabilities		**(1,167.0)**	(1,104.7)
Net assets		**3,625.2**	3,518.4
Equity			
Ordinary share capital issued		**31.9**	31.9
Share premium		**24.9**	22.3
Capital redemption reserve		**236.5**	236.5
Other non-distributable reserve		**276.8**	276.8
Retained earnings		**3,055.1**	2,950.9
Total equity		**3,625.2**	3,518.4

PERSIMMON PLC

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2021

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other non-distributable reserve £m	Retained earnings £m	Total £m
Balance at 1 January 2020	**31.9**	**19.2**	**236.5**	**276.8**	**2,693.9**	**3,258.3**
Profit for the year	-	-	-	-	638.4	638.4
Other comprehensive expense	-	-	-	-	(36.0)	(36.0)
Transactions with owners:						
Dividends on equity shares	-	-	-	-	(350.7)	(350.7)
Issue of new shares	-	3.1	-	-	-	3.1
Exercise of share options/share awards	-	-	-	-	(0.2)	(0.2)
Share-based payments	-	-	-	-	7.7	7.7
Net settlement of share-based payments	-	-	-	-	(2.4)	(2.4)
Satisfaction of share options from own shares held	-	-	-	-	0.2	0.2
Balance at 31 December 2020	**31.9**	**22.3**	**236.5**	**276.8**	**2,950.9**	**3,518.4**
Profit for the year	-	-	-	-	787.2	787.2
Other comprehensive income	-	-	-	-	58.5	58.5
Transactions with owners:						
Dividends on equity shares	-	-	-	-	(749.6)	(749.6)
Issue of new shares	-	2.6	-	-	-	2.6
Share-based payments	-	-	-	-	8.1	8.1
Balance at 31 December 2021	**31.9**	**24.9**	**236.5**	**276.8**	**3,055.1**	**3,625.2**

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 2021

	Note	**2021 £m**	2020 £m
Cash flows from operating activities:			
Profit for the year		**787.2**	638.4
Tax charge	4	**179.6**	145.4
Finance income		**(9.9)**	(8.9)
Finance costs		**3.6**	8.6
Depreciation charge		**14.5**	14.1
Impairment of intangible assets		**6.2**	4.3
Legacy buildings provision	9	**-**	75.0
Share-based payment charge		**6.4**	6.4
Net imputed interest income/(expense)		**6.1**	(1.4)
Other non-cash items		**(7.9)**	(7.3)
Cash inflow from operating activities		**985.8**	874.6
Movements in working capital:			
(Increase)/decrease in inventories		**(9.8)**	265.0
Increase in trade and other receivables		**(59.5)**	(45.8)
Increase/(decrease) in trade and other payables		**37.4**	(116.9)
Decrease in shared equity loan receivables		**18.9**	16.4
Cash generated from operations		**972.8**	993.3
Interest paid		**(3.7)**	(4.1)
Interest received		**1.9**	4.7
Tax paid		**(186.2)**	(228.4)
Net cash inflow from operating activities		**784.8**	765.5
Cash flows from investing activities:			
Joint venture net funding movement		**1.8**	-
Purchase of property, plant and equipment		**(20.9)**	(18.9)
Proceeds from sale of property, plant and equipment		**0.9**	0.8
Net cash outflow from investing activities		**(18.2)**	(18.1)
Cash flows from financing activities:			
Lease capital payments		**(3.3)**	(3.6)
Payment of Partnership liability		**(3.8)**	(3.6)
Net settlement of share-based payments		**-**	(2.4)
Share options consideration		**2.6**	3.1
Dividends paid	5	**(749.6)**	(350.7)
Net cash outflow from financing activities		**(754.1)**	(357.2)
Increase in net cash and cash equivalents	11	**12.5**	390.2
Cash and cash equivalents at the beginning of the year		**1,234.1**	843.9
Cash and cash equivalents at the end of the year	11	**1,246.6**	1,234.1

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 2021.

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 2021 or 2020, but is derived from those accounts. Statutory accounts for 2020 have been delivered to the Registrar of Companies, and those for 2021 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include 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 with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK adopted International Accounting Standards, this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to send its Annual Report 2021 to shareholders on 21 March 2022.

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 13. 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 relevant UK endorsed new amendments to standards are mandatory for the first time for the financial year beginning 1 January 2021:

- Amendments to IFRS 4 Insurance Contracts
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – phase 2
- Amendments to IFRS 16 Leases: Covid-19 Related Rent Concessions beyond 30 June 2021

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

The Group has not applied the following new amendments to standards which are not yet effective:

- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020
- IFRS 17 Insurance Contracts; including Amendments to IFRS 17

The Group is currently considering the implication of these amendments with the expected impact upon the Group being limited to disclosures if applicable.

Going concern

The Group has performed well in the twelve months ended 31 December 2021. Persimmon's long-term strategy, which recognises the risks associated with the housing cycle by maintaining operational flexibility, investing in high quality land, minimising financial risk and deploying capital at the right time in the cycle, has equipped the business with strong liquidity and a robust balance sheet.

The Group delivered a strong trading performance in the twelve months to 31 December 2021, completing the sale of 14,551 new homes (2020: 13,575; 2019: 15,855) and generating a profit before tax of £966.8m (2020: £783.8m; 2019: £1,040.8m). At 31 December 2021, the Group's strong financial position included £1,246.6m of cash (2020: £1,234.1m; 2019: £843.9m), high quality land holdings and land creditors of £407.6m (2020: £329.3m; 2019: £435.2m). In addition, the Group has an undrawn Revolving Credit Facility of £300m, which extends out to 31 March 2026.

The Group's forward order book, including legal completions taken so far in 2022, is 3% weaker year on year with new home forward sales of c. £2.2bn. We have over 6,200 new homes sold forward into the private owner occupier market with an average selling price of over £259,350. The cumulative average private sales reservation rate for the first 8 weeks of the year is c. 2% ahead of last year.

The Directors have carried out a robust assessment of the principal risks facing the Group, as described in note 13. The Group has considered the impact of these risks on the going concern of the business by performing a range of sensitivity analyses, covering the period to 30 June 2023, including severe but plausible scenarios materialising together with the likely effectiveness of mitigating actions that would be executed by the Directors. For further detail regarding the approach and process the Directors follow in assessing the long-term viability of the business, please see the Viability Statement in note 13.

The scenarios emphasise the potential impact of severe market disruption, for example including the effect of a pandemic, on short to medium term demand for new homes. The scenarios' emphasis on the impact on the cash inflows of the Group through reduced new home sales is designed to allow the examination of the extreme cash flow consequences of such circumstances occurring. The Group's cash flows are less sensitive to supply side disruption given the Group's sustainable business model, flexible operations, agile management team and off-site manufacturing facilities.

In the first scenario modelled, the combined impact is assumed to cause a c. 45% reduction in volumes and a c. 11% reduction in average selling prices through to 30 June 2023. The combined impact results in a c. 57% fall in the Group's housing revenues. The assumptions used in this scenario reflect the experience management gained during the Global Financial Crisis ('GFC') from 2007 to 2010, it being the worst recession seen in the housing market since World War Two.

A second, even more extreme, scenario assumes a significant and enduring depression of the UK economy and housing market causing a reduction of c. 47% in new home sales volumes and a c. 37% fall in average selling prices through to 30 June 2023. As a result of these factors, the Group's housing revenues were assumed to fall by c. 67% during this period.

In addition, the Directors have assessed the impact of a complete shutdown of the housing market from the date of this announcement to 30 June 2023 on the resilience of the Group. This scenario assumes that the Group does not receive any further sales receipts for the period whilst maintaining its current level of fixed costs.

Throughout this scenario, the Group maintains substantial liquidity with a positive cash balance and no requirement to access the Group's £300m Revolving Credit Facility.

The Group has been increasingly assessing climate related risk and opportunities that may present to the Group. During the period assessed for going concern no significant risk has been identified that would materially impact the Group's ability to generate sufficient cash and continue as a going concern.

Having considered the continuing strength of the UK housing market, the sales rates being achieved by the Group, the resilience of the Group's average selling prices, the Group's scenario analysis as detailed above and significant financial headroom, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

2. Segmental analysis

The Group has only one reportable operating segment, being housebuilding within the UK, under the control of the Executive Board. The Executive Board has been identified as the Chief Operating Decision Maker as defined under IFRS 8 Operating Segments.

3. Revenue

	2021 **£m**	2020 £m
Revenue from the sale of new housing	**3,449.7**	3,129.5
Revenue from the sale of part exchange properties	**155.4**	196.2
Revenue from the provision of internet services	**5.4**	2.6
Revenue from the sale of goods and services as reported in the statement of comprehensive income	**3,610.5**	3,328.3

4. Tax

Analysis of the tax charge for the year

	2021 **£m**	2020 £m
Tax charge comprises:		
UK corporation tax in respect of the current year	**181.2**	148.5
Adjustments in respect of prior years	**(8.3)**	(6.4)
	172.9	142.1
Deferred tax relating to origination and reversal of temporary differences	**5.4**	2.6
Adjustments recognised in the current year in respect of prior years deferred tax	**1.3**	0.7
	6.7	3.3
Tax charge for the year recognised in Statement of Comprehensive Income	**179.6**	145.4

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

	2021 **£m**	2020 £m
Profit from continuing operations	**966.8**	783.8
Tax calculated at UK corporation tax rate of 19% (2020: 19%)	**183.7**	148.9
Accounting base cost not deductible for tax purposes	**0.2**	0.3
Goodwill impairment losses that are not deductible	**1.2**	0.8
Expenditure not allowable for tax purposes	**0.2**	0.2
Effect of change in rate of corporation tax	**2.7**	0.9
Enhanced tax reliefs	**(1.3)**	-
Adjustments in respect of prior years	**(7.1)**	(5.7)
Tax charge for the year recognised in Statement of Comprehensive Income	**179.6**	145.4

The Group’s overall effective tax rate of 18.6% has been reduced from the mainstream rate of 19.0% by a prior year tax credit arising from the removal of some uncertainties regarding the Group’s prior year tax computations.

The applicable corporation tax rate remains at 19% in line with corporation tax rates effective from 1 April 2017. On 10 June 2021, the Finance Act 2021 was enacted into law, introducing a new higher rate of corporation tax of 25% coming into effect from 1 April 2023. Consequently, the expected tax rate for the full year includes the effect of revaluing deferred tax assets and liabilities at this higher rate where these are expected to be realised or settled on or after 1 April 2023.

Following consultation by HM Treasury to implement a Residential Property Developer Tax (“RPDT”) on profits arising from residential property activity, on 27 October 2021, the Chancellor of the Exchequer announced new legislation and an RPDT rate of 4% on all annual residential property profits in excess of £25m, effective from 1

April 2022. This additional rate once enacted will add to the standard rate of corporation tax of 25% effective from 1 April 2023, as noted above.

As the RPDT was not substantively enacted prior to 31 December 2021, the additional 4% tax rate is not reflected in the valuation of the Group's deferred tax assets and liabilities at that date. The estimated impact on the Group's deferred tax balances as at 31 December 2021 would be to increase the net deferred tax liability by £7m with a corresponding charge to the Statement of Comprehensive Income/Statement of Shareholders Equity.

Deferred tax recognised in other comprehensive income

	2021 £m	2020 £m
Recognised on remeasurement gain/(loss) on pension schemes	**24.8**	(6.5)

Tax recognised directly in equity

	2021 £m	2020 £m
Arising on transactions with equity participants		
Current tax related to equity settled transactions	**0.1**	(1.1)
Deferred tax related to equity settled transactions	**(1.8)**	(0.2)
	(1.7)	(1.3)

5. Dividends/Return of capital

	2021 £m	2020 £m
Amounts recognised as distributions to capital holders in the period:		
2019 dividend to all shareholders of 40p per share paid 2020	**-**	127.5
2019 dividend to all shareholders of 70p per share paid 2020	**-**	223.2
2020 dividend to all shareholders of 125p per share paid 2021	**398.7**	-
2020 dividend to all shareholders of 110p per share paid 2021	**350.9**	-
Total capital return to shareholders	**749.6**	350.7

The Directors propose to return 125p of surplus capital to shareholders for each ordinary share held on the register on 11 March 2022 with payment made on 1 April 2022 as an interim dividend in respect of the financial year ended 31 December 2021. The Directors intend to return surplus capital of 110p per ordinary share as an interim dividend with respect to the financial year ended 31 December 2021. This distribution to shareholders is anticipated to be made in July 2022 subject to continuous Board assessment in line with the Group's strategy. The total anticipated distributions to shareholders is 235p per share (2020: 235p per share) in respect of the financial year ended 31 December 2021.

6. 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 of 319.0m shares (2020: 318.8m) which excludes those held in the employee benefit trust and any treasury shares, all of which are treated as cancelled.

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 320.2m shares (2020: 319.9m).

Underlying earnings per share excludes the legacy buildings provision charge and goodwill impairment. The earnings per share from continuing operations were as follows:

	2021	2020
Basic earnings per share	**246.8p**	200.3p
Underlying basic earnings per share	**248.7p**	220.7p
Diluted earnings per share	**245.6p**	199.6p
Underlying diluted earnings per share	**247.6p**	219.9p

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

	2021 £m	2020 £m
Underlying earnings attributable to shareholders	**793.4**	703.5
Legacy buildings provision (net of tax)	**-**	(60.8)
Goodwill impairment	**(6.2)**	(4.3)
Earnings attributable to shareholders	**787.2**	638.4

At 31 December 2021 the issued share capital of the Company was 319,206,474 ordinary shares (2020: 319,071,261 ordinary shares).

7. Inventories

	2021 £m	2020 £m
Land	**1,798.2**	1,722.1
Work in progress	**1,054.1**	1,091.6
Part exchange properties	**24.8**	40.9
Showhouses	**43.6**	46.7
Inventories	**2,920.7**	2,901.3

The Group has conducted a further review of the net realisable value of its land and work in progress portfolio at 31 December 2021. Our approach to this review has been consistent with that conducted at 31 December 2020 and was fully disclosed in the financial statements for the year ended on that date. The key judgements and estimates in determining the future net realisable value of the Group's land and work in progress portfolio are future sales prices, house types and costs to complete the developments. Sales prices and costs to complete were estimated on a site by site basis. There is currently no evidence or experience in the market to inform management that expected selling prices used in the valuations are materially incorrect.

Net realisable value provisions held against inventories at 31 December 2021 were £18.6m (2020: £25.4m). Following the review, £4.1m of inventories are valued at net realisable value rather than historical cost (2020: £5.9m).

8. Shared equity loan receivables

	2021	2020
	£m	£m
Shared equity loan receivables at 1 January	**56.2**	68.6
Settlements	**(18.9)**	(16.4)
Gains	**8.3**	4.0
Shared equity loan receivables at 31 December	**45.6**	56.2

All gains/losses have been recognised in the statement of comprehensive income. Of the gains recognised in finance income for the period, £4.2m (2020: £1.5m) was unrealised.

9. Legacy buildings provision

	2021	**2020**
	£m	**£m**
Legacy buildings provision at 1 January	**75.0**	-
Additions to provision in the year	**-**	75.0
Provision utilised in the year	**(2.3)**	-
Legacy buildings provision at 31 December	**72.7**	75.0

In the prior year we made a commitment that no leaseholder living in a building we had developed, including all those above 11 metres, should have to cover the cost of cladding removal. As part of this commitment, we created a £75.0m provision to cover the cost of any necessary works. Work has been ongoing throughout 2021 at a cost of £2.3m. The provision at 31 December 2021 remains management's best estimate of the costs of completing works to ensure fire safety on the remaining affected buildings under direct ownership and on those under third party ownership we have developed. As a result no further charge to the Statement of Comprehensive Income has been made in the year. These estimates may change over time as further information is assessed, remedial works progress and the interpretation of fire safety regulations further evolves. This is a highly complex area with judgements and estimates in respect of the cost of the remedial works and the scope of the properties requiring remedial works may change should regulation further evolve.

10. 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:

	2021	2020
	Level 3	Level 3
	£m	£m
Shared equity loan receivables	**45.6**	56.2

Shared equity loan receivables

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

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

Significant unobservable inputs into the fair value measurement calculation include regional house price movements based on the Group's actual experience of regional house pricing and management forecasts of future movements, weighted average duration of the loans from inception to settlement of ten years (2020: ten years) and discount rate 5% (2020: 5%) based on current observed market interest rates offered to private individuals on secured second loans.

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

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

	2021 £m	2020 £m
Cash and cash equivalents at 1 January	**1,234.1**	843.9
Increase in net cash and cash equivalents in cash flow	**12.5**	390.2
Cash and cash equivalents at 31 December	**1,246.6**	1,234.1
IFRS 16 lease liability	**(8.8)**	(9.6)
Net cash at 31 December	**1,237.8**	1,224.5

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

12. Retirement benefit assets

As at 31 December 2021 the Group operated four employee pension schemes, being two Group personal pension schemes and two defined benefit pension schemes. Remeasurement gains and losses in the defined benefit schemes are recognised in full as other comprehensive income within the consolidated statement of comprehensive income. All other pension scheme costs are reported in profit or loss.

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

	2021 £m	2020 £m
Current service cost	**2.0**	1.9
Past service cost	**-**	0.5
Administrative expense	**0.6**	0.6
Pension cost recognised as operating expense	**2.6**	3.0
Interest cost	**8.9**	11.7
Return on assets recorded as interest	**(9.6)**	(13.4)
Pension cost recognised as net finance credit	**(0.7)**	(1.7)
Total defined benefit pension cost recognised in profit or loss	**1.9**	1.3
Remeasurement (gain)/loss recognised in other comprehensive income	**(83.3)**	42.5
Total defined benefit scheme (gain)/loss recognised	**(81.4)**	43.8

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

	2021 **£m**	2020 £m
Fair value of Pension Scheme assets	**751.9**	694.4
Present value of funded obligations	**(603.1)**	(643.8)
Net pension asset	**148.8**	50.6

The increase in the net pension asset to £148.8m (2020: £50.6m) is largely due to an increase in long-term corporate bond yields increasing the discount rate assumption applied to scheme obligations to 1.9% (2020: 1.4%).

13. Principal Risks and Viability Statement

In line with the UK Corporate Governance Code, the Group defines its principal risks as those considered to have a potentially material impact on its strategy and business model, including its future performance, solvency, liquidity and reputation. The Group's strategy focuses on minimising financial risk and deploying capital at the right time in the housing market cycle, recognising the inherent risks and cyclical nature of the housing market. This, together with an agile, experienced and responsive management team, and robust risk management framework, has established a highly resilient business able to address a range of future economic scenarios.

1. Pandemic risk

Risk assessment	Risk description	Approach to risk mitigation	Developments in 2021
Residual risk rating: High **Risk trend assessment** Overall: No change Impact: No change Likelihood: No Change	The potential for increased rates of transmission, further variants of Covid-19 or a new pandemic occurring in the UK, could have significant impacts across the Group's operations. These could include: - Increased health and safety risk to our workforce, our customers and the wider public. - Disruption to build programmes and delays in sales, due to staff absences and material and labour supply issues. - Economic downturn, with reduced consumer confidence, demand and pricing for new homes, thereby affecting revenues, margins, profits and cash flows and impairment of asset values.	The Group maintains business continuity plans and can draw upon extensive Board and management experience from the response to the initial Covid-19 outbreak. Robust and comprehensive policies and procedures have been developed under the supervision of the Health, Safety and Environment Department. These procedures allow for safe continuity of operations under various pandemic conditions. Remote working capabilities are in place, facilitated through enhanced use of technology. This supports continuity of operations in the event of ongoing or future pandemic conditions. The risks associated with increased use of remote working are mitigated through a combination of IT controls and user awareness training.	Whilst the industry continued to face ongoing operational and economic challenges from the pandemic, particularly as the Omicron outbreak unfolded late in the year, the Group continued to manage these ongoing challenges effectively. The comprehensive suite of measures established at the start of the pandemic, including our robust Covid-19 policies and procedures, have been continually adapted to reflect all government and industry guidance and good practice, and have enabled a strong degree of continuity in our operations. We continue to maintain the two-metre social distancing protocols across our sites. The Group's strong balance sheet, high liquidity and robust financial disciplines ensure we are well placed to manage the ongoing challenges of the pandemic.

		Potential disruption of supply is mitigated through centralised procurement and management of key materials. The vertical integration afforded by use of our own Brickworks, Space4 and Tileworks production provides further mitigation for some critical materials.	

2. Strategy

Risk assessment	Risk description	Approach to risk mitigation	Developments in 2021
Residual risk rating: Low **Risk trend assessment** Overall: No change Impact: No change Likelihood: No change	The Group's strategy has been developed by the Board as the most appropriate approach to successfully deliver the Group's purpose and ambition and generate optimal sustainable value for all stakeholders. As political, economic and other conditions evolve, the strategy currently being pursued may cease to be the most appropriate approach. If the Group's strategy is not effectively communicated to our workforce and / or engagement and incentive measures are inappropriate, operational activities may not successfully deliver the Group's strategic objectives.	The Group's strategy is agreed by the Board at an annual strategy meeting. The strategy undergoes a continuous and iterative process of review and adaptation at Board meetings and in response to the evolution of conditions in which the Group operates. The Board engages with all stakeholders to ensure the strategy is understood and effectively communicated. For example, an Employee Engagement Panel, Diversity and Inclusion Council and employee engagement surveys are in place to monitor the cultural health of the organisation and ensure strategy is understood and implemented.	Our well-established strategy continues to reflect a firm understanding of the risks associated with the economic cycle and the housing market. Through minimising associated financial risk and judging the deployment of capital at the right time in the cycle, the Group has safeguarded its strong balance sheet and maintained its positioning for continued future success.

3. National and regional economic conditions

Risk assessment	Risk description	Approach to risk mitigation	Developments in 2021
Residual risk rating: High **Risk trend assessment** Overall: No change Impact: No change Likelihood: No change	The housebuilding industry is sensitive to changes in the economic environment, including unemployment levels, interest rates and consumer confidence. Deterioration in economic conditions, resulting from the ongoing Covid-19 pandemic or continued impact of the UK's withdrawal from the EU for example, could affect	As noted above, the Group's long-term strategy is focused on the cyclical nature of the housing market and minimising financial risk, maintaining operational and financial flexibility and judging the timing of capital deployment through the cycle. Lead indicators on the future direction of the UK	The Board and our operational management teams have continued to monitor the economic environment closely throughout the year, with particular focus on the impact of the disruption caused by the pandemic and the UK's exit from the EU. Despite these challenges, market conditions remained positive, with strong demand for housing and continued resilience of selling prices.

	demand and pricing for new homes, with resultant effects on our revenues, margins, profits and cash flows and potential impairment of asset values. Economic conditions in the land market may adversely affect the availability of a sustainable supply of land at appropriate levels of return.	housing market are monitored to enable informed management of exposure to potential market disruption. Pricing structures are regularly reviewed to reflect local market conditions. The Group's geographical spread is continuously monitored to help mitigate the effects of regional economic fluctuations. In line with the Group's strategy, levels of build on site are closely monitored and land investment decisions are subject to comprehensive due diligence processes to ensure effective deployment of capital.	

4. Government policy

Risk assessment	Risk description	Approach to risk mitigation	Developments in 2021
Residual risk rating: High **Risk trend assessment** Overall: No change Impact: No change Likelihood: Increase	Changes to government policy have the potential to impact on several aspects of our strategy and operational performance. For example, the forthcoming withdrawal of the Help to Buy scheme in 2023, amendments to planning regulations and the recent government requirement to pay a contribution to a fund to cover the cost of fire safety remediation works, could have an adverse effect on revenues, margins, tax charges and asset values. The Department for Levelling Up, Housing and Communities (DLUHC) has demanded that residential property developers take a lead in the funding and rectification of unsafe cladding and fire safety issues on buildings over 11 metres in height constructed in the last 30 years. The government want developers to pay for all the necessary remediation on	Government policy in relation to the housing market is monitored closely. Consistency of policy formulation and application remains supportive of the housebuilding industry as a whole, encouraging continued substantial investment in land, work in progress and skills to support output growth. Our mission to build homes with quality our customers can rely on at a price they can afford and our strategic objectives, are aligned with government priorities to increase housing stock. Land investment decisions and levels of work in progress are tightly controlled in order to mitigate exposure to external influences. Persimmon is taking part in ongoing discussions with government to identify an effective solution to the	Our assessment has identified an overall increase in risk likelihood, reflecting recent government actions affecting the industry, such as the introduction of the Residential Property Developer Tax, the potential introduction of the Building Industry Scheme, changes to the stamp duty regime and the forthcoming withdrawal of the Help to Buy Scheme in 2023. Government continues to recognise the need for increased construction of new homes, however, providing a broadly supportive environment for the industry.

	buildings they constructed as well as make additional contributions to an industry-wide scheme that protects all leaseholders from paying towards any works. To reinforce this demand, the government has introduced amendments into the Building Safety Bill, which, if passed, will require membership of a 'Building Industry Scheme'. Membership of this scheme will be determined by the government, based on the developer's commitments and actions to rectify cladding and fire safety related issues on buildings it has developed. The government has indicated they would use the powers conferred through the amendments to block planning and building control permissions for developers that are not members of the scheme.	funding and rectification of unsafe cladding and fire safety issues on buildings over 11 metres and ensure leaseholders are protected. Persimmon led the industry in committing that leaseholders should not have to pay for such works on any buildings we constructed. Last year, a £75m legacy buildings provision was created to fund necessary work on these buildings. In light of DLUHCs request, we are reviewing buildings we constructed over the last 30 years but do not believe that this will result in a material increase to the 33 developments already identified. In addition, Persimmon will not claim from the Government's Building Safety Fund. We hope these actions will lead to us becoming a member of the government's new Building Industry Scheme and continue to engage in positive discussions with officials.	

5. Health, safety and environment

Risk assessment	Risk description	Approach to risk mitigation	Developments in 2021
Residual risk rating: High **Risk trend assessment** Overall: No change Impact: No change Likelihood: No change	In addition to the human impacts of any accident, there is the potential for reputational damage, construction delays and financial penalties as a result of any health, safety or environmental incident.	The Board retains a very strong commitment to health and safety and managing the risks in this area effectively. This is implemented by comprehensive management systems and controls, managed by our highly experienced Health, Safety and Environment Department, which includes detailed training and inspection programmes to minimise the likelihood and impact of accidents on our sites. While all reasonable steps are taken to reduce the likelihood of an incident, the potential human, reputational and financial impacts of any	The effective management of health, safety and environmental risks has remained a critical area of focus for the Board and our management teams throughout the year. As noted above, our comprehensive suite of Covid-19 mitigation measures, including our robust policies and procedures, have been continually adapted to reflect government and industry guidance and good practice, and have enabled a strong degree of continuity in our operations. Environmental management has been an area of particular focus in the year, with senior appointments made to support ongoing development in this area.

		such incident are considered high.	

6. Skilled workforce, retention and succession

Risk assessment	Risk description	Approach to risk mitigation	Developments in 2021
Residual risk rating: High **Risk trend assessment** Overall: Increase Impact: No change Likelihood: Increase	Shortages of skilled labour, driven in part through the effects of the UK's exit from the EU and from increased UK housebuilding activities, create risks of increased costs and delays and disruption to build programmes.	Access to an appropriately skilled workforce and experienced management team is essential in maintaining operational performance and ensuring the successful delivery of the Group's strategy. The Group operates a range of apprenticeships and in-house training programmes, under the supervision of the Group Training department, in order to support an adequate supply of skilled labour. In addition, the Group is committed to supporting industry initiatives to address the skills gap. The Group's Space4 manufacturing facility, which produces timber frames, highly insulated wall panels and roof cassettes, improves build efficiency and requires less on-site labour than a traditionally built home, mitigating some labour shortage risk. A range of measures have been deployed to ensure high levels of retention across the workforce. These include increased focus on employee engagement, further development of performance management frameworks, career management, and financial incentives. At the most senior level, the Nomination Committee oversees these processes and promotes effective succession planning.	The demand for labour within the construction sector has remained high throughout the year, driven by a number of factors. This is reflected in an overall increase in our assessment of this risk. The Group has continued to invest in its people and processes to mitigate this risk. Notable developments within the year include an expansion of the resource within our Group Training department and the further development of the 'Persimmon Pathway', a structured training programme and career pathway for key disciplines.

7. Materials and land purchasing

Risk assessment	Risk description	Approach to risk mitigation	Developments in 2021
Residual risk rating: High **Risk trend assessment** Overall: Increase Impact: Increase Likelihood: Increase	Materials availability Ensuring access to the right quantity and specification of materials is critical in delivering high quality homes. Heightened levels of demand for materials may cause availability constraints and increase cost pressures. Furthermore, build quality may be compromised if unsuitable materials are procured leading to damage to the Group's reputation and customer experience. Land Purchasing Land may be purchased at too high a price, in the wrong location and at the wrong time in the housing market cycle.	Materials availability Our build programmes and our supply chain are closely monitored to allow us to manage and react to any supply chain issues and to help ensure consistent high quality standards. We build strong relationships with key suppliers over the long term to ensure consistency of supply and cost efficiency. Our Group Procurement team works with our operating businesses to ensure the Group's suppliers provide materials to the expected specification and quantities. The Group's off-site manufacturing hub at Harworth, near Doncaster, provides a significant proportion of the bricks and roof tiles used across our sites, providing security of supply. This complements our existing off-site manufacturing facility at Space4, which produces timber frames, highly insulated wall panels and roof cassettes. Land Purchasing The Group maintains strong land holdings. All land purchases undergo comprehensive viability assessments and must meet specific levels of projected returns, taking into account anticipated market conditions and sales rates.	Sustained growth in UK housebuilding activities, and supply chain disruption caused by a combination of the Covid-19 pandemic and issues associated with the UK's exit from the EU, has increased pressure on the supply chain. This has resulted in increased lead times and inflationary pressures in some materials. These pressures have been reflected in an increased overall risk rating. However, the Group continues to benefit from its vertical integration through our Brickworks, Tileworks and Space4 manufacturing facilities, and the current positive sales pricing conditions continue to mitigate effects of cost inflation. In respect of land, we have maintained our well-established disciplined approach to replacement whilst continuing to take advantage of exciting opportunities in the market. During the year, our land replacement has exceeded current consumption.

8. Climate change

Risk assessment	Risk description	Approach to risk mitigation	Developments in 2021
Residual risk rating: Medium **Risk trend assessment** Overall: No change Impact: No change Likelihood: Increase	The effects of climate change and the UK's transition to a lower carbon economy could lead to increasing levels of regulation and legislation, as seen with the Future Homes Standard. These may in turn result in planning delays, increased costs and competition for some materials. Changes in weather patterns and the frequency of extreme weather events, particularly storms and flooding, may increase the likelihood of disruption to the construction process. The availability of mortgages and property insurance may reduce in response to financial institutions considering the possible impacts relating to climate change.	The Group takes a range of measures to monitor and improve its operational efficiency and direct environmental impact, including measuring CO_2 emissions and the amount of waste we generate for each home we sell. The Group maintains a detailed climate change risk register, which ensures that the management and mitigation of the risk is embedded within the Group's risk management process. We systematically consider the potential impacts of climate change throughout the land acquisition, planning and build processes and work closely with planning authorities and other statutory bodies to manage and mitigate these risks. The government's 'Future Homes Standard' will be introduced by 2025. To plan for and manage the transition to low carbon homes, a low carbon homes working group (consisting of members from across the Group's various disciplines) has been established. The Group engages proactively with the housebuilding industry and the Government to develop industry wide solutions to meet the requirements of the Future Homes Standard. We continually seek to strengthen our supply chain, for example, our off-site manufacturing facilities provide us with greater assurance of quality and supply, and use modern	The likelihood assessment of this risk has increased compared to the prior year as increasing awareness and desire for action, in part following COP26, is likely to result in a more urgent transition to a lower carbon economy. Within the year, the Group has set science based carbon reduction targets, in line with the Paris Agreement, which were fully accredited by the Science Based Targets Initiative. We have set ambitious 'net zero' targets, aiming to deliver 'net zero' homes in use to our customers by 2030 and become 'net zero' in our operations by 2040. The Group has already made good progress on its carbon reduction roadmap with a number of projects to research the most effective method of delivering a 'net zero' home in use and engaging a third party expert to measure the embodied carbon of our homes. Our homes are already significantly more energy efficient than existing housing stock and our pathway to 'net zero' homes in use by 2030 has clear interim milestones. Operationally, the Group has introduced electric vehicle options into its fleet, is now purchasing 100% renewable energy for its offices and manufacturing facilities and continues to investigate methods of reducing the Group's red diesel consumption and increasing the use of alternative fuels.

		methods of construction and technology to assist the mitigation of climate change related risks. The Group Procurement team maintain strong links with our suppliers delivering value through our supply chain by regular engagement and robust tendering processes.	

9. Reputation

Risk assessment	Risk description	Approach to risk mitigation	Developments in 2021
Residual risk rating: Medium **Risk trend assessment** Overall: No change Impact: Increase Likelihood: No change	Damage to the Group's reputation could adversely affect its ability to deliver its strategic objectives. If governance, build quality, customer experiences, operational performance, management of health and safety or local planning concerns fall short of our usual high standards, this may result in damage to customer, commercial and investor relationships and have a detrimental impact on financial performance.	<u>Management Supervision</u> The Group is committed to ensuring an appropriate culture and maintaining the high quality of its operations. This is subject to oversight from the Board. Build quality and re-enforcing trust in the brand are key priorities for the Group. Significant investment has been made in these areas, for example through the Persimmon Way, including expanding the Group's team of Independent Quality Controllers (IQCs) and addressing the Group's legacy quality issues. Senior appointments have been made at Group level to promote and enforce compliance with policies and procedures as well as to provide the Board with assurance on their effective implementation. <u>Stakeholder Relationships</u> We take actions to maintain positive relationships with all of our stakeholders to minimise the risks of reputational damage and aim to comply with best practice in corporate governance. We actively support local communities in addressing housing needs, in creating	The Persimmon Way, our end-to-end consolidated construction process, is now in operation across the business, and supporting our desire to 'build right, first time, every time'. Persimmon formally commenced the registration process for the New Homes Quality Code (NHQC) on 14 January 2022, one of the first housebuilders to do so. We welcome the introduction of the NHQC, which aims to drive up quality and customer service across the industry together with the appointment of a New Homes Ombudsman Service. The Group continues to invest in its people and processes, driving operational improvements. These enhancements reduce the probability of operational issues and the consequent reputational damage they can cause.

		attractive neighbourhoods and employing local people, both on our sites and in the supply chain. Significant contributions are made to local infrastructure and good causes within the communities in which the Group operates.	

10. Regulatory compliance

Risk assessment	Risk description	Approach to risk mitigation	Developments in 2021
Residual risk rating: Medium **Risk trend assessment** Overall: No change Impact: No change Likelihood: Increase	The housebuilding industry is subject to extensive and complex laws and regulations, particularly in areas such as land acquisition, planning, building regulations and the environment. Ensuring compliance in these areas can result in delays in securing the land required for development and in construction. Any failure to comply with regulations could result in damage to the Group's reputation and potential imposition of financial penalties.	Comprehensive management systems are in place to ensure regulatory and legal compliance, including a suite of policies and procedures covering key areas of legislation and regulation. Additional oversight is in place through the Group-level functions and cross-functional steering groups for key areas, such as GDPR compliance. Where these systems identify inconsistencies in adherence to agreed processes, corrective actions are swiftly taken. We engage extensively with planning authorities and other stakeholders to reduce the likelihood and impact of any delays or disruption. In respect of land, the Group controls sufficient holdings to provide security of supply for medium term trading requirements. Our land needs and potential acquisitions are subject to extensive due diligence to manage planning risks and uncertainties and maintain an effective pipeline.	The assessment of the likelihood of this risk has increased within the year. This reflects the continuing increase in the volume and complexity of regulatory requirements, and the financial and reputation risks associated with any failures to manage regulatory compliance effectively. Key regulatory areas of focus within the year have included planning conditions, with the Group, in common with the wider industry, continuing to experience delays to outlet openings due to the delays within the planning system. Persimmon formally commenced the registration process for the NHQC on 14 January 2022. The aims of the Code and its supporting process are consistent with the Group's own focus on further improving build quality and customer service standards.

11. Cyber and data risk

Risk assessment	Risk description	Approach to risk mitigation	Developments in 2021
Residual risk rating: Medium	The Group relies on its IT systems being consistently available and secure. Failure of any of the Group's	The Group operates centrally maintained IT systems with a fully tested disaster recovery	Within the year, the assessment of the risk impact and likelihood remain unchanged. However, cyber and data risks continue to be an area of

Risk trend assessment Overall: No change Impact: No change Likelihood: No change	core IT systems, particularly those in relation to customer information and customer service could result in significant financial costs, reputational damage and business disruption.	programme. All infrastructure is highly resilient, with geographically diverse datacentres and a series of backup arrangements. The Group maintains dedicated cyber security resource to manage and oversee security controls, benchmarked to external sources of good practice such as the NCSC's 'Ten Steps to Cyber Security'. Periodic penetration testing is carried out through external security partners to test the security of our perimeter network. In the event of an incident, the Group has a defined Cyber Incident Response Plan. Training and regular communications are delivered to all users to increase awareness of cyber-risks, with particular focus on risks associated with remote and hybrid working.	growing focus for the Group, reflecting the increase in the use of technology in supporting the Group's operations. The Group has continued to strengthen its mitigation measures in respect of cyber risk, under the supervision of the Information Security Steering Group (ISSG) and through the work of the Group IT department. To develop controls further, an externally led review of the Group's cyber security measures has been commissioned. This will build on an earlier assessment by the same external partner in 2020, and will ensure the Group's approach to cyber risk remains appropriate and reflects best practice.

12. Mortgage availability

Risk assessment	Risk description	Approach to risk mitigation	Developments in 2021
Residual risk rating: High **Risk trend assessment** Overall: No change Impact: Decrease Likelihood: Increase	Reduced availability or affordability of mortgages for customers could reduce demand for new homes and affect sales prices, revenues, profits, cash flows, and asset values.	We monitor Bank of England commentary on credit conditions including the monthly approvals for house purchases, reports from UK Finance, and lenders' announcements for trends in lending. We ensure that our investment in land and work in progress is appropriate for our level of sales and our expectations of the current market conditions. The government's Help to Buy scheme, which is scheduled to remain in place until 2023, supports customers to gain access to the housing market across the UK with competitive mortgage rates.	The fundamentals of the UK housing market remain strong, with robust consumer demand and confidence. We continue to see good levels of mortgage availability and continued low interest rates, encouraging affordability for new homes.

VIABILITY STATEMENT

Persimmon's prospects and viability

The long-term prospects and viability of the business are a consistent focus of the Board when determining and monitoring the Group's strategy. The identification and mitigation of the principal risks facing the business, which have been updated to reflect current UK economic conditions and uncertainties (including the ongoing impacts of the Covid-19 pandemic and the UK's exit from the European Union), also form part of the Board's assessment of long-term prospects and viability*.

Assessing Persimmon's long-term prospects

Persimmon has built a strong position in the UK's house building market over many years, recognising the potential for long-term growth across regional housing markets. The Board recognises that the long-term demographic fundamentals of continued positive population growth and new household formation, together with the requirement to replace and improve the quality of the country's housing stock, provide a long-term supportive backdrop for the industry. However, the Board and the Group's strategy recognises the inherent cyclical nature of the UK housing market. The Group has therefore been able to maintain a position of strength with good liquidity, high quality land holdings and a strong balance sheet throughout the disruption of the Covid-19 pandemic. The future impacts of the pandemic, and other factors creating uncertainty within the UK economy and the Group's sales and construction programmes, remain uncertain. The Board has considered these potential impacts in depth when assessing the long-term prospects of the Group.

Whilst this uncertainty remains, Persimmon possesses the sound fundamentals required to realise the Group's purpose and ambitions and deliver sustainable success:

- talented teams focused on consistently delivering good quality homes for our customers;
- high quality land holdings that allow us to create attractive places in areas where people wish to live and work;
- strong customer and local community relationships;
- continued investment in the training and development of our teams;
- market knowledge, expertise and industry know-how; and,
- long-term healthy supplier engagement.

By continuing to build on these solid foundations through, for example, the Persimmon Way and our ongoing investments in the customer experience, the Group aims to help create sustainable and inclusive communities through continued investment in its people, its land, and its development sites and in its supply chain, creating enduring value for the communities we serve. The Group's materiality assessment, ensures that a thorough review of stakeholder interests are incorporated within the assessment of the Group's long-term prospects.

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

This planning process provides a valuable platform, which facilitates the Board's assessment of the Group's short and long-term prospects. Consideration of the Group's purpose, current market position, its strategic objectives and business model, and the risks that may challenge them are all included in the Board's assessment of the prospects of the Group.

Key Factors in assessing the long-term prospects of the Group:

1. The Group's current market positioning

- Strong sales network from active developments across the UK providing geographic diversification of revenue generation

- Three distinct brands providing diversified products and pricing deliver further diversification of sales
- Imaginative and comprehensive master planning of development schemes with high amenity value to support sustainable, inclusive neighbourhoods which generate long-term value to the community
- Disciplined land replacement reflecting the extent and location of housing needs across the UK provides a high quality land bank in the most sustainable locations supporting future operations
- Long-term supplier and subcontractor relationships providing healthy and sustainable supply chains
- Sustained investment to support higher levels of construction quality and customer service through the implementation of initiatives such as the Persimmon Way
- Strong financial position with considerable cash reserves and with additional substantial working capital facilities maturing March 2026

2. Strategy and business model

- Strategy focuses on the risks associated with the housing cycle and on minimising financial risk and maintaining financial flexibility
- Focusing on constructing new homes for our customers to the high quality standards that they expect and helping to create attractive neighbourhoods
- Strategy recognises the Group's ability to generate surplus capital beyond the reinvestment needs of the business
- Substantial investment in staff engagement, training and support to sustain operations over the long-term
- Approach to land investment and development activity provides the opportunity to successfully deliver much needed new housing supply and create value over the long-term
- Differentiation through vertical integration, achieving security of supply of key materials and complementary modern methods of construction to support sustainable growth
- Simple capital structure maintained with no structural gearing

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

- Disruption to the UK economy, including the impacts arising from the Covid-19 pandemic and the UK's exit from the EU, adversely impacting demand for new homes and construction programmes, or contributing to inflationary pressures
- Changes in government policy affecting the housebuilding sector, such as withdrawal of the Help to Buy scheme, and the recent government requirement to pay a contribution to a fund to cover the cost of fire safety remediation works
- Market impacts related to reduced consumer confidence due to regional economic uncertainties
- Reduction in mortgage funding availability and/or affordability due to reduced lender risk appetite and/or regulatory change
- Response required to mitigate the impact of climate change
- Team, skills and talent related risks regarding retention and change management

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

Disciplined strategic planning process

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

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

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

Assessing Persimmon's viability

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

The use of a five-year period for the purpose of assessing the viability of the Group is considered the most appropriate time horizon, as it reflects the business model of the Group, with new land investments generally taking at least five years to build and sell through, and for the development infrastructure to be adopted by local authorities. This is already in alignment with anticipated evolutions in corporate reporting from the BEIS consultation on 'restoring trust in audit and corporate governance', such as the resilience statement requirement.

A key feature of the Group's strategy documented in the Strategic Report is the Group's commitment to maintain capital discipline over the long-term through the housing cycle. This commitment is reinforced by the Group's Capital Return Programme ("CRP"). The CRP initially committed to return £1.9bn of surplus capital over the following ten financial years to 2021, or £6.20 per share. The Group has exceeded this initial commitment and has paid £13.00 per share, or £4.1bn back to shareholders over this period. On 2 March 2022, the Directors announced the scheduled Capital Return Programme payments in respect of the financial year ended 31 December 2021, to be paid in 2022. Further details can be found in the Chairman's statement earlier in this announcement.

On an annual basis, the Directors review financial forecasts used for this Viability Statement as explained in the disciplined strategic planning processes outlined earlier. These forecasts incorporate assumptions on issues such as the timing of legal completions of new homes sold, average selling prices achieved, profitability, working capital requirements and cash flows. They also include the CRP. The Directors have made the assumption that the Group's revolving credit facility is renewed during the period having again extended the maturity of the facility out to 31 March 2026.

The Directors have also carried out a robust assessment of the principal and emerging 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. This risk assessment was also informed by the performance of the Group's materiality assessment, incorporating views from the Group's key stakeholders. The Directors have considered the impact of these risks on the viability of the business by performing a range of sensitivity analyses to a Base Case, including severe but plausible scenarios materialising together with the likely effectiveness of mitigating actions that would be executed by the Directors.

The scenarios emphasise the potential impact of severe market disruption including, for example, the ongoing effect of economic disruption from the Covid-19 pandemic on the short to medium-term demand for new homes. The scenarios' emphasis on the impact on the cash inflows of the Group through reduced new home sales is designed to allow the examination of the extreme cash flow consequences of such circumstances occurring. The Group's cash flows are less sensitive to supply side disruption given the Group's sustainable business model, flexible operations, agile management team and off-site manufacturing facilities.

In the first scenario modelled, the combined impact is assumed to cause a 44% reduction in volumes and a c.14% reduction in average selling prices through to 2023. As a result of these factors, the Group's housing revenues were assumed to fall by c. 51% during this period. The assumptions used in this scenario reflect the experience management gained during the Global Financial Crisis ('GFC') from 2007 to 2010, it being the worst recession seen in the housing market since World War Two. The scenario assumes a subsequent recovery occurs over a similar extended period as in the GFC.

A second, even more extreme, scenario assumes a significant and enduring depression of the UK economy and housing market over the next five years causing a reduction of c. 45% in new home sales volumes and a c. 40% fall in average selling prices through to 2023. As a result of these factors, the Group's housing revenues were assumed to fall by c. 67% during this period. It assumes that neither volumes nor average selling prices recover from this point through to 2026.

In each of these scenarios, cash flows were assumed to be managed consistently, ensuring all relevant land, work in progress and operational investments were made in the business at the appropriate time to deliver the projected new home legal completions. The Directors assumed they would continue to make well-judged decisions in respect of capital return payments, ensuring that they maintained financial flexibility throughout.

Based on this assessment, the Directors confirm that they have reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to the end of 31 December 2026.

* The Directors have assessed the longer-term prospects of the Group in accordance with provision 31 of the UK Corporate Governance Code 2018.

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 the Announcement.

The 2021 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 2021 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 function are listed below:

Roger Devlin	Chairman
Dean Finch	Group Chief Executive
Nigel Mills	Senior Independent Director
Simon Litherland	Non-Executive Director
Joanna Place	Non-Executive Director
Annemarie Durbin	Non-Executive Director
Andrew Wyllie	Non-Executive Director
Shirine Khoury-Haq	Non-Executive Director

By order of the Board

Dean Finch

Group Chief Executive
1 March 2022

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