Persimmon Plc

Focusing on our customers

Annual Report 2019

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Highlights

Financial

Revenue -2%

£3.65bn

2018: £3.74bn

Operating margin[1] -3%

28.2%

2018: 29.0%

Profit before tax -5%

£1,040.8m

2018: £1,090.8m

Net assets per share +2%

1,021.7p

2018: 1,006.0p

Cash generation pre land investment[2] -8%

£996.2m

2018: £1,082.8m

Dividend

235p

2018: 235p

Non-Financial

HBF Score[3] +6%

83.7%

2018: 78.9%

Charitable foundation donations

£2.3m

2018: £1.3m

Affordable homes[4] +8%

3,589

2018: 3,333

Trainees and apprentices +19%

c.750

2018: c.630

Investment in local communities[5] +10%

£522m

2018: £474m

Homes provided with FibreNest +704%

4,679

2018: 582

1 Stated on revenue of £3,649.4m (2018: £3,737.6m) and profit from operations of £1,029.4m (2018: £1,082.7m).
2 Cash generation pre land investment is net cash flow before capital return (£747.8m) and net land investment £452.6m (2018: capital return £732.3m and net land investment £605.1m).
3 We participate in a National New Homes Survey run by the HBF. The Survey year covers the period from 1 October to 30 September. The rating system is based on the number of customers who would recommend their builder to a friend.
4 Homes provided to our housing association partners and Discounted Open Market Value homes.
5 The value of homes delivered to housing associations, the value of Discounted Open Market Value Housing plus the value of planning contributions we have made.

Focusing on our customers

To build good quality homes at a range of price points across the UK. We aim to create and protect superior and sustainable levels of value for the benefit of our customers, workforce, suppliers and shareholders through the housing cycle.

Throughout this report, we include a range of stakeholders who directly input into our purpose, or benefit from it.

Planning Manager

See page 47

Persimmon Homes Customer

See page 32

Customer Care Admin Manager

See page 36

Apprentice Carpenter

See page 41

Providing a strong platform for the Group's long term sustainable success

Operational highlights

15,855
Homes sold -4%
2018: 16,449

£215,709
Average selling price 0.1%
2018: £215,563

£1.98bn*
Forward sales -2%
2019: £2.02bn

71,942
Owned land bank (plots) -5%
2018: 75,793

c.750 acres**
Public open space and gardens for families provided 19%
2018: c.750 acres

c.50,000**
Construction and supply chain jobs
2018: c.50,000

* As at 26 February 2020 (2018 figure as at 25 February 2019).
** Estimated using an economic toolkit.

"The Group has significantly invested in its customer care improvement plan, placing our customers at the centre of the business. This investment provides the foundations for the Group's sustainable development."

Roger Devlin
Chairman

Persimmon's purpose is to build good quality homes at a range of price points across the UK. We aim to create and protect superior and sustainable levels of value for the benefit of our customers, workforce, suppliers and shareholders through the housing cycle. Developing a business based on strong, sustainable foundations, and where our employees have the opportunity to achieve their full potential, provides the platform for our continued success. We recognise that this success is dependent upon strong engagement with, and delivery for, all our stakeholders, including our customers, our people, our supply chain partners, local communities and Government.

From the start of 2019, Persimmon commenced a programme of change, making significant additional investment in a customer care improvement plan, which placed the customer at the centre of our business. At the heart of this plan is a commitment by Persimmon to a programme of cultural and operational change that prioritises customer care over volume growth. Affirming the Group's commitment to implement this change and to ensure it would achieve its objectives, the Board commissioned an Independent Review ('the Review'). The Review, published in December 2019, provided some additional recommendations which the Persimmon team have embraced and are in the process of implementing. As previously announced, the Board will provide an update on its consideration of the purpose and culture element of the Review's recommendations at the AGM in April 2020.

The focus on delivering consistently higher build quality and improving the standard and responsiveness of the service customers receive has started to deliver the anticipated benefits. Whilst Persimmon's plans to deliver consistently higher levels of quality and service go far beyond a focus on the criteria of the HBF customer satisfaction survey, the ongoing improvement in our HBF rating, which is trending strongly ahead of the Four Star threshold, is tangible evidence of the progress made so far.

Persimmon's results for 2019 reflect the strength of the Group's positioning in offering a broad choice of homes for all, and across the regions of the UK. The Group's new home legal completion volumes were 4% lower than the prior year, reflecting the later sales release of homes under construction in higher demand areas as part of the plans to improve build quality and customer service. The Group continued to increase its investment in work in progress to £1,095m (2018: £882m) to support these initiatives. Profit before tax was £1,041m (2018: £1,091m) with an underlying new housing operating margin[1] of 30.3% (2018: 30.8%). Cash balances of £844m were held at the end of the year (2018: £1,048m) and the Group's owned and controlled land holdings totalled 93,246 plots (2018: 99,088 plots).

We are confident that the implementation of our customer care improvement plan, our continued commercial success and wider investment in society provide a strong platform for the long term, sustainable development of the Group.

Customers and communities

Persimmon aims to provide homes for all by constructing a wide range of good quality affordable homes in places where people want to live and work right across the UK. The Group's average private selling price of £241,985 is 18% lower than the national average for newly built homes sold to owner occupiers[2]. In line with Government housing policy, the Group focuses on creating attractive neighbourhoods which enhance and contribute to the local area and meet the housing needs of the communities they serve. Persimmon supports more first time buyers onto the housing ladder than any other UK major housebuilder, with 50% of our private new homes being sold to first time buyers in 2019.

Improving the quality of the homes we build and the service we provide to our customers was the Group's top priority throughout 2019. We are putting quality and service for our customers before volume, delaying sales releases on developments with high demand until build is at a more advanced stage, to support the implementation of our customer care improvement plan initiatives. New homes stock levels were 14% higher at the year end and the Group invested an additional £213m in work in progress year on year. The recruitment of our new Independent Quality Inspections team provides another level of scrutiny, strengthening our overall quality assurance processes.

Our Construction Working Group, led by our newly appointed Group Construction Champion, is establishing 'the Persimmon Way', which will consolidate our approach to new home construction standards and embed best practice across the Group. This approach is consistent with the recommendations of the Independent Review.

We have also invested significantly in enhancing customer service, increasing on-site customer care resource by 70% and improving IT support to deliver a more responsive service. The introduction of our Homebuyers Retention Scheme in July 2019, is a first for the industry, and is already driving behavioural change within the business. Further detail on the Group's customer care improvement plan is provided in the Chief Executive's Review.

1 Stated before goodwill impairment (2019: £7.3m, 2018: £9.2m) and based on new housing revenue (2019: £3,420.1m, 2018: £3,545.8m).
2 National average selling price for newly built homes sourced for the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land Registry.

We place great importance on our wider contribution to the communities we serve. During the year we have invested over £520m in local communities through the delivery of new homes for lower income families and planning contributions, which have helped create over 2,500* school places. This brings the Group's total community investment to c.£2.0bn over the last five years. During 2019 the Group provided c.750* acres of public open space and gardens helping to support biodiversity betterment whilst delivering good quality homes. Our operations have also supported almost 50,000* jobs on our sites and within our supply chain.

Since 2010, in the ten year period following the global financial crisis, the Group has invested over £4.8bn in land, opened over 1,750 new development outlets and delivered over 130,000 newly built homes whilst also providing substantial amenity value to the benefit of local communities and the environment right across the UK. For example, the Group has planted c.510,000 trees over the last five years adding to the biodiversity of local environments whilst providing opportunity for enhanced carbon capture over future years. This commitment to building good quality housing for all at affordable prices, to create vibrant inclusive neighbourhoods that meet housing need is directly aligned with Government policy. We continue to work closely with local planning authorities and communities to bring land into construction as promptly as possible, with our investment in associated infrastructure, new home construction, and the local environment helping to create long term value for the local communities we serve.

Since 2010, in the ten year period following the global financial crisis, the Group has invested over £4.8bn in land, opened over 1,750 new development outlets and delivered over 130,000 newly built homes.

Long term strategy and capital return plan

Persimmon's strategy is aligned to its purpose – building on its sustained success the Group will support continued investment in residential development opportunities for the benefit of local communities throughout the UK. Our long-term strategy recognises that the timing of this investment will be judged to mitigate the risks to sustaining value creation for all stakeholders through the housing market cycle, whilst making appropriate returns to shareholders whose capital we deploy in pursuit of fulfilling our purpose. Retaining flexibility to support the appropriate level of reinvestment in the business, whilst minimising financial risk through the cycle, is a key element of the Board's strategy.

Persimmon's strategy recognises the Group's ability to generate surplus capital beyond the reinvestment needs of the business as the market cycle develops. The Board has been mindful of the increased uncertainties regarding the outlook for the UK economy for some time and has adopted a selective approach to new land investment, building Persimmon's cash reserves progressively to strengthen its financial position. For the current scale of the business, the Board believes cash holdings of c.£700m are appropriate, minimising financial risk by providing sufficient liquidity to cover the annual working capital cycle of the business, while maintaining flexibility to deploy additional capital should further attractive reinvestment opportunities arise.

The Board assesses the availability of surplus capital on a regular basis, considering the appropriate balance between the financial position of the Group and its reinvestment needs, the Group's land holdings, the housing market cycle and land market conditions, and the broader economic risk profile. The Board has set out its risk and viability assessment processes on pages 57 to 65.

Having concluded its 2020 assessment of the availability of surplus capital, as part of the regular annual assessment of the Capital Return Plan, the Board is pleased to reiterate its commitment to total capital returns of £2.35 per share in 2020 in line with the existing plan, with a payment of £1.25 per share to be made on 2 April 2020 to shareholders on the register on 6 March 2020 as an interim dividend for 2019, together with recommending to shareholders a regular annual capital return of £1.10 per share to be paid on 6 July 2020 to shareholders on the register on 12 June 2020 as a final dividend for 2019. In addition, the Board is pleased to announce its intention to return a further £2.35 per share in 2021. The Board is increasing the regular annual payment to be made in early July 2021 to £1.25 per share, with the additional return of surplus capital of £1.10 per share to be paid in late March 2021. The total value of the capital return plan to 2021 is now £14.25 per share compared to the £6.20 per share initial commitment made by the Board in 2012.

* Estimated using an economic toolkit.

Results

Persimmon delivered another strong trading performance in 2019. The Group's total revenues were £3,649m (2018: £3,738m), with new housing revenues of £3,420m (2018: £3,546m) being 4% lower than last year. The Group sold 15,855 new homes in the year (2018: 16,449) at an average selling price of £215,709 (2018: £215,563), the lowest of any major housebuilder in the UK.

Customer demand across the regions of the UK was supported by resilient consumer confidence right through the year, despite elevated levels of uncertainty relating to both the political outlook and economic prospects, ahead of the UK's prospective exit from the EU. Customers acquiring new homes at higher price points have increasingly been more considered in their reservation commitments. Sales to private owner occupiers totalled 12,463 new homes (2018: 13,341), a reduction of 878 homes year on year, whilst sales to our housing association partners were 3,392 new homes (2018: 3,108), an increase of 284 homes.

The average selling price of the Group's private market sales was £241,985 (2018: £238,373), an increase of 1.5% year on year. Of the Group's total private sales of 12,463 homes, 57% were sold across our northern businesses (2018: 55%). The Group continues to provide strong support to the creation of mixed tenure sustainable communities across the UK, delivering over £400m of new homes to housing associations in the year (2018: £366m) at an average selling price of £119,166 (2018: £117,653), which represented 21.4% of the Group's total sales (2018: 18.9%). The volume of sales achieved by the Persimmon brand was 11,327 homes (2018: 11,947). Charles Church achieved 1,136 home sales (2018: 1,394).

The Group's total gross margin for the year was 31.0% (2018: 31.6%), with our new housing gross margin at 33.1%[1] (2018: 33.3%). The level of new housing gross margin reflects the ongoing investment being made in the Group's build quality and customer care resources and processes. The Group's customer care spend in the year increased by c.50% over last year. The Group's margins are supported by its high quality consented land holdings with land cost recoveries of 14.0% of housing revenues (2018: 14.6%). At 31 December 2019 the Group's cost to revenue ratio[2] for its owned land holdings of 71,942 plots was 13.2%. The Group's continued investment in its build quality and customer care improvement initiatives will place the business in a strong position moving forwards. The Group's total gross profit for the year was £1,131m (2018: £1,180m).

The Group sold 15,855 new homes in the year at an average selling price of £215,709, the lowest of any major housebuilder.

Underlying operating profit[3] for the Group was 5.1% lower than last year at £1,037m (2018: £1,092m). The Group's underlying new housing operating margin[4] of 30.3% was 50 basis points lower than last year (2018: 30.8%). The Group's pre tax profits were £1,041m, 4.6% lower than 2018 (£1,091m). Underlying basic earnings per share[3] for the year of 269.1 pence reduced by 6.0% compared to the prior year (2018: 286.3 pence).

The Group generated 250.7 pence of total capital value (before capital returns)[5] in the year (2018: 204.4 pence) reflecting the Group's strong set of results. After capital returns of 235 pence per share recognised in the period, reported net assets per share of 1,021.7 pence per share at 31 December were 15.7 pence higher than the prior year (2018: 1,006.0 pence). Underlying return on average capital employed[6] as at 31 December was 37.0% (2018: 41.3%).

The Group's balance sheet is strong. Due to the strength of the Group's existing land holdings we have remained selective in our approach to land replacement in line with our strategic priorities. We have continued to judge each opportunity in the context of the needs of each of the Group's 31 operating businesses and remained mindful of prospective changes to market conditions. During the year, the Group added a total of 10,013 plots of land into the business across 60 high quality locations, including 4,218 plots converted from our strategic land portfolio. The Group's land spend was £474m (2018: £628m).

At the year end the Group held cash reserves of £844m (2018: £1,048m) reflecting an increase of £213m in work in progress investment at £1,095m (2018: £882m) and a £113m reduction in land creditors to £435m (2018: £548m).

Return on equity[7] was 26.3% for the twelve month period to December 2019 (2018: 27.7%).

1 Stated on new housing revenues of £3,420.1m (2018: £3,545.8m) and gross profits of £1,130.7 (2018: £1,179.9m).
2 Land cost value for the plot divided by the anticipated future revenue of the new home sold.
3 Stated before goodwill impairment (2019: £7.3m, 2018: £9.2m).
4 Stated before goodwill impairment (2019: £7.3m, 2018: £9.2m) and based on new housing revenue (2019: £3,420.1m, 2018: £3,545.8m).
5 Movement in total equity before dividends on equity shares divided by the average number of shares in issue during the period.
6 12 month rolling average stated before goodwill impairment and includes land creditors.
7 12 month rolling profit after tax generated from the average of the opening and closing total equity for the 12 month period.

Board Changes

We have announced that Dave Jenkinson has informed the Board of his wish to step down as Group Chief Executive in due course. He has signalled his intention early to give the Board good time to recruit a successor. Dave will remain fully committed to leading the ongoing programme of change for as long as the business requires.

I would like to take this opportunity on behalf of the Board to thank Dave for the very significant contribution he has made to the success of Persimmon over almost 23 years with the Group. He has played a critical role in the shaping and development of new Persimmon. I am also grateful that Dave has signalled his intention to step down at an early stage to give us the time to carry out a thorough search process and to continue the evolution of the business.

The Board was also pleased to announce recently the appointment of Joanna Place as a non-executive Director from 1 April 2020. We look forward to Joanna bringing her experience to support the successful development of the business over future years.

The Board announced the resignation of Claire Thomas, former Independent Non-Executive Director, on 15 January 2020. The Board would like to thank Claire for her contribution to the Group during her tenure.

We also announced that Marion Sears, Independent Non-Executive Director and Chairman of the Remuneration and Corporate Responsibility Committees will retire from the Board at the conclusion of the AGM to be held on 29 April 2020. Following Claire Thomas' departure on 1 February 2020, if necessary, Marion has agreed to remain on the Board for a short time while the Board seeks a new Remuneration Committee Chairman. The Board would like to thank Marion for the significant contribution she has made to the Group during her seven years with Persimmon.

The Board is in the process of identifying and appointing a further Non-Executive Director with construction experience and will provide an update to the market once that process is completed.

Outlook

The level of customer activity through the initial weeks of 2020 is encouraging with enquiries and visitors to our sites in line with our expectations. Sales rates in the early weeks of 2020 are tracking above the prior year and the Group's strong work in progress position leaves it well placed to respond to further market momentum as the year progresses whilst retaining its overriding focus on build quality and customer care. The UK housing market remains resilient, consumer confidence being supported by low interest rates, a competitive mortgage market and high levels of employment. Customers continue to carefully consider their circumstances prior to making reservation commitments and cancellations have continued to run at historically lower levels.

With the 2019 general election now behind us, the previous elevated levels of political uncertainty have subsided. As anticipated, the UK's recent withdrawal from the EU and commencement of the transition period, alongside other global economic challenges, continue to present uncertainties for the UK's economic outlook. However, Persimmon remains in a strong position. The Group's developments are located in areas of some of the greatest housing need in the UK and provide an attractive choice of good quality newly built homes at affordable prices.

The Group continues to release homes for sale only when a more advanced stage of construction is achieved. Maintaining our continued disciplined sales release process, the Group's average private sales rate per site in the first eight weeks of the year of 0.88 was c.7% ahead of the same weeks last year, as expected. Given that the Group began the year with a similar level of active sales outlets as 2019 but a slightly lower forward sales position at 1 January 2020, we currently expect sales this year to follow a similar pattern to last year, and anticipate delivering a similar number of legal completions to 2019. The Group's current total forward sales, including new home legal completions taken so far in 2020, remain strong at £1.98 billion (2019: £2.02 billion). We have 5,679 new homes sold forward into the private owner occupier market with an average selling price of c.£245,000. Pricing conditions remain firm.

The Group has experienced some easing of build cost pressure over recent months and currently anticipates that cost inflation will be around 2.5% to 3% for the current year assisted by continued self help measures. Whilst the detail of the UK's future trading relationships with the EU and others remains uncertain, undoubtedly, the UK remains an attractive market. In partnership with its supply chain the Group continues to assess the risks associated with these developments and has put in place measures that help to reduce these risks where required.

We currently have c.365 developments in construction, a similar number to last year. During the first half of 2020 we anticipate starting construction on c.80 new developments, which will help meet the pressing housing need in these locations. Our ongoing customer care improvement plan, supported by implementation of the recommendations of the Independent Review, will underpin the delivery of a further improvement in the quality and service provided to our customers this year. These initiatives and investments are currently anticipated to increase the Group's customer care costs on an annualised basis by c.£15m. These substantial commitments, together with the higher new home stock investment, will help ensure that Persimmon delivers higher build quality, service and choice moving forward. Whilst the Group's returns from the capital employed in the business will reduce we expect the Group's cash generation will remain strong.

Over the longer term, the UK housing market has a cycle, reflecting the health of the UK economy as it develops over time which, in part, will be influenced by the continued evolution of Government policy. As the UK establishes new commercial relationships on departing the EU during a period of increased global volatility we remain optimistic of Persimmon's prospects. The Group is positioned to continue to provide an important contribution to both UK housing supply, and the wider health of communities across the UK, in direct alignment with the Government's strategic objectives.

Currently the housing market continues to be resilient and we are seeing good demand across our regional markets. To achieve the Government's policy objective of increasing the provision of good quality homes to meet local communities' housing needs, further expansion in the output of newly built homes will be required. This growth will deliver additional social benefits, for example, increasing employment across the regions of the UK both directly on housing developments and in the supply chain. Persimmon currently supports c.50,000[1] local construction and supply chain jobs through our development activities across the UK. We will continue to invest in these local communities and businesses to promote social mobility and support these local communities. The additional benefits associated with development activity, of higher contributions to communities through improved local amenities and infrastructure, taxes paid, and from additional investment will also be realised.

Persimmon's employees are the foundation upon which the Group's strength and future success is built. The Group directly employs c.5,300 people across the UK. The Board's thanks go to this talented, hardworking and committed team that continues to embrace change and deliver such positive results.

The Board's thanks also go to all of the Group's workers, sub-contractors and other stakeholders for their contribution to the continued strong performance of Persimmon, together with the implementation of the important measures to improve build quality and customer service.

Persimmon has high quality land holdings, healthy forward sales, strengthened forward build and a strong balance sheet. Our team is united in its commitment to improve build quality and customer satisfaction. We remain confident of the Group's future prospects.

Roger Devlin
Chairman
26 February 2020

1 Estimated using an economic toolkit.

Providing 'homes for all' across the UK

We have 31 operating businesses and three house building brands serving their local communities across the UK.

Persimmon
Together, we make a home.

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

Average selling price 2019	Contribution to Group housing revenue
£230,036	76%
Homes sold	**Land bank (Plots)**
11,327	65,642

Persimmon Homes
See page 35

CHARLES CHURCH

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

Average selling price 2019	Contribution to Group housing revenue
£361,132	12%
Homes sold	**Land bank (Plots)**
1,136	10,760

Best refurbishment – Stone Cross Manor, Ulverston

winner of housebuilder awards 2019

Charles Church
See page 36

Westbury partnerships

Westbury Partnerships is our brand with a focus on affordable social housing. We sell these homes to housing associations across the UK. This brand plays a key part in the delivery of sustainable homes for the benefit of lower income occupiers, offering solutions to some of the country's affordable housing problems.

Average selling price 2019	Contribution to Group housing revenue
£119,166	12%
Homes sold	**Land bank (Plots)**
3,392	16,844

Westbury Partnerships
See page 37

Broadband provider

FibreNest

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

Off-site manufacturing

space4... ...fast-track construction system

Our Space4 manufacturing business produces timber frames, highly insulated wall panels and roof cassettes as a 'fabric first' solution to the construction of new homes. Space4's unique modern method of construction system helps us to improve site productivity, increase build capacity and mitigate construction industry skills shortages. Space4 supports all of our brands and supplied c.6,900 timber frame kits and roof systems to the Group in 2019.

BRICKWORKS

Our Brickworks produces concrete bricks and is entirely focused on supplying the Group's housebuilding operations. During 2019, the brickworks supplies c.50 million bricks to the Group. The factory has the capacity to produce c.80 million bricks a year, which approximates to two thirds of the Group's brick requirements.

TILEWORKS

Tileworks, the Group's own concrete roof tile manufacturing plant, is currently under construction and plans to commence deliveries to site in spring 2020. This will secure quality, cost and supply of this key material component.

Persimmon Charitable Foundation

£2.3m

donated to local charities and community groups

2018: £1.3m

The Persimmon Charitable Foundation makes donations to charities and good causes across the UK. As a socially responsible business, we established the Persimmon Charitable Foundation to help support the communities in which we build.

The UK housing market

Key trends affecting our business

Affordability

Affordability is a key factor influencing housing demand. Our customers' ability to afford a home has been supported by low interest rates, favourable competition in the availability of mortgage products and the Government's Help to Buy policy. This scheme is available in its current form to March 2021 and will be extended in amended form from April 2021 to March 2023.

Our response

The Group provides homes for all by providing an attractive range of homes at various price points across the UK, with a focus on the first time buyer, first time mover market. The Group's average private selling price for 2019 was £241,985 c.18%* lower than the national average. We have a focus on affordability and the first time buyer, first time mover market with 50% of our private new homes going to first time buyers in the year.

Average private selling price

£241,985

2018: £238,373

* 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.

Positive Lending Environment

Consumer confidence and the health of the UK economy are fundamental factors that support customer demand and a sustainable UK housing market. GfK's long running consumer confidence index decreased during 2019 with the economic uncertainty resulting from Brexit negotiations weighing on the outlook for household finances. However, the latest measures concerning UK consumers' personal financial position for the last and next 12 months are encouragingly healthy and positive, as is the improvement in our view of the wider economic picture for the UK. This is linked to the uptick in the jobs and housing markets, coupled with low headline inflation and interest rates. Market fundamentals remain supportive; unemployment rates remain historically low, interest rates continue at lower levels and mortgage lenders are keen to support customers with competitive mortgage products resulting in resilient consumer confidence.

The UK economy grew by 1.4% in 2019 per the latest estimates, slightly ahead of 2018 growth rates.

The number of mortgage approvals in 2019 of 789,336 (2018: 781,238) were slightly higher than 2018 reflecting the continuing positive lending environment.

Our response

We have a strong network of sites across the UK providing geographic diversification. We closely monitor the market conditions and retain flexibility of operations to ensure that we can mitigate the impacts of the inherent cyclicality of the housing cycle.

UK Headline GDP 2019

+1.4%**

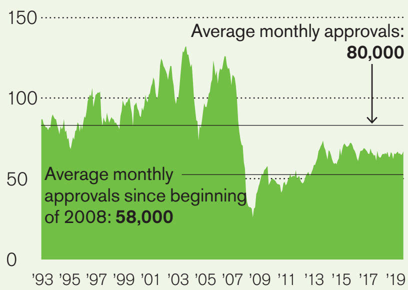
ONS estimated figure for 2019

Mortgage approvals ('000)

789,336***

Approved in 2019

** Source: ONS
*** Source: Bank of England



Demand for housing

Demand continues to outstrip supply for housing. In October 2018, the Government committed to supplying 300,000 homes per year by the mid 2020s to attempt to combat the imbalance between supply and demand. Population growth has been a key driver in demand for housing. Per the ONS, population growth is set to continue at a strong rate, with the total UK population passing 70 million** by 2031.

Our response

Over the eight years since 2012 the Group has delivered c.113,000 new homes across the UK. In the same period, we have invested c.£4.3bn in land and provided c.143,000 plots of land into the business to deliver new homes to customers across the UK. At 31 December 2019, the Group holds 93,246 owned and under control plots, 5.9 years supply based on current volume.

** Source: ONS

Planning and regulation

The Government remains supportive of the housebuilding industry. Its ambition is to deliver 300,000 new homes by the mid 2020s. Local planning authorities are required to put in place five year plans to meet their housing needs which should ensure a consistent supply of consented land to enable the housebuilding industry to commit capital to long term projects. The Government's Revised National Planning Policy Framework, published in July 2018, aims to make it easier for planners, developers and local councils to deliver good quality housing in places where people want to live, at a faster pace.

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

Our response

The Group's land buying and management strategy puts the needs of our customers and local government at the centre of its land investment. Each of our 31 operating businesses has an in-house land, planning and design team with local knowledge of their communities' housing needs. We work closely with local planning authorities so we can provide the appropriate range of well-designed house types and prices for each site to meet local housing needs.

Skilled labour

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

Our response

We have c.750 colleagues (c.15% of our workforce) currently pursuing structured training courses. The Group currently has over 450 apprentices learning traditional craft skills such as bricklaying and joinery, and c.300 professional trainees in areas such as quantity surveying, planning and construction disciplines.

In addition, we continue to work with the Home Building Skills Partnership, a joint initiative of the Construction Industry Training Board (CITB) and the Home Builders Federation (HBF) aimed at addressing the skills shortage within the industry by attracting new entrants to the home building sector, providing focused training to develop the workforce, and fostering closer working relations between developers and their supply chains.

Trainees and apprentices

c.750

2018: c.630

Our business model

Creating long term, sustainable value

The resources we need

Sustainable land holdings

See pages 44 and 45

A diverse, talented, engaged and motivated workforce

See pages 41 to 43

Materials

See pages 52 and 53

Details of how we engage with all of our stakeholders can be found on pages 66 to 69

Community relations

See pages 38 and 39

Local government relationships

See pages 37 to 39

Financial strength

See pages 28 to 30

The value we create

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

New homes delivered

15,855

3,392 delivered to housing associations

Affordable prices

35%

Of our private sales were below £200,000

First time buyers

50%

Of our private sales were to first time buyers

HBF score

83.7%

HBF survey – percentage of customers who would recommend Persimmon to a friend

Employment

5,097

People directly employed on average in 2019

Jobs supported*

c.50,000

Construction and supply chain jobs

Financial strength

£3.26bn

Balance sheet net assets at 31 December 2019

Capital returned to shareholders

£747.8m

In the year to 31 December 2019

Further information regarding the ways in which our business model supports communities in which we build, the economy and the environment can be found in our Social Contribution Statement on pages 19 and 20

* Estimated using an economic toolkit.

What we do

Obtain planning permission

We have skilled and experienced land buying teams in each of our businesses who have detailed knowledge of their local area. We prioritise strategic land investment and work closely with local communities, land owners and authorities to obtain detailed planning consents for the right mix of housing to suit all the communities' needs and create inclusive and sustainable developments. We identify sites that are well situated, with good access to transport links and local amenities providing much needed housing in areas where our customers wish to live and work across the UK. Further information can be found on pages 44 to 45.

- Providing good quality homes and customer service
- Creating and supporting sustainable and inclusive communities
- Providing a sustainable supply of high quality land

Disciplined land investment

The Group has high quality land holdings providing it with continuity of supply, a strong sales network of sites serving communities across the UK and operational efficiencies. We are able to be selective in our land acquisitions, investing at the right time in the housing cycle creating resilience and placing the Group in a strong position to deliver higher returns over the near term. We maintain a disciplined approach to land investment appraisal which all our acquisitions must fulfil. Further information can be found on pages 44 to 45.

- Providing good quality homes and customer service
- Providing a sustainable supply of high quality land
- Maintaining financial strength

Customer service

We maintain a national development site network managed from 31 regional offices across the UK. This network enables us to understand and meet the needs of local communities and deliver a range of well-designed homes for our customers. Our dedicated and skilled sales and customer care teams are available to our customers throughout their journey with us. We have invested significantly in digital technology to enhance the service we provide to our customers. A comprehensive customer support system has been established to guide them through the home buying process and to assist them once they have moved in, should it be required.

- Providing good quality homes and customer service
- Creating and supporting sustainable and inclusive communities

Design and construction

The Group has well-designed core house types providing a good range of attractively priced homes for our customers and supporting efficient operations. Our off-site manufacturing capabilities, Space4, Brickworks and going forwards Tileworks, support our production rates and the sustainability and quality of key materials. We have enhanced our build quality, safety and assurance processes through the introduction of our customer care improvement plan at the start of 2019. Without compromising quality or customer service, we maintain efficient operations and appropriate work in progress levels to meet our customers' needs. We retain flexibility to react quickly to changes in the housing cycle. Further details can be found on pages 47 to 50.

- Providing good quality homes and customer service
- Working safely, responsibly and efficiently
- Creating and supporting sustainable and inclusive communities
- Maintaining financial strength

Our strategic objectives

Focusing on our customers

Our strategic objectives put our customers at the centre of our business. The Group has undergone rapid, necessary change during 2019 in implementing its customer care improvement plan putting us in a strong position for the future supported by our talented team. We intend to build on the steps we have already taken to embed a culture that focuses on our customers, striking the balance between the pace of delivery and consistently delivering good quality new homes.

Providing good quality homes and customer service

- Deliver on our customer care improvement plan and put our customers before volume
- Provide 'homes for all' by building homes at a range of price points across the UK
- Build consistently good quality homes in places where people want to live and work across the UK
- Establish a consolidated, consistent Group wide approach to construction with strong quality assurance processes – 'the Persimmon Way'
- Provide high levels of customer service
- Support first time buyers to participate in the market place
- Deliver affordable new homes tailored to our Housing Association residents' needs

How we measure progress

- HBF national new homes survey results
- Number of homes sold
- Number of homes sold to our Housing Association partners
- Number of private homes sold to first time buyers
- Average selling price
- Revenue measures
- Forward sales

Value for our stakeholders

- Buying a home is the most significant financial investment and commitment that our customers will make. The implementation of our customer care improvement plan and the consolidation of Group wide best practice will strengthen both our build quality and the service that our customers receive
- We believe that putting our customers before volume and delivering consistently high standards of build quality will generate value for all our stakeholders

Creating and supporting sustainable and inclusive communities

- Create attractive communities with high amenity value
- Invest in local infrastructure to improve community environments
- Acquire and design our developments to reflect communities' short and long term needs through active engagement with all stakeholders during the planning and development process
- Deliver housing that fulfils our customers' requirements

How we measure progress

- The financial contributions we make to local authorities in the year
- Investment in local communities (through the delivery of affordable homes and the value of Discounted Open Market Value Housing)
- Number of local charity and community groups supported

Value for our stakeholders

- Providing sustainable communities with high amenity value in places where people wish to live and work is important to our customers, local government and to the communities we serve
- We continue to invest in local infrastructure and ensure that our developments create a sense of place, are effectively integrated, are environmentally and economically viable and enhance their local communities
- We effectively engage with local planning authorities to develop communities, providing the right design, development layout and access to amenities to fulfil the needs of local people and local government

Maintaining a diverse, talented, engaged and motivated workforce

- Continue to invest in our workforce and their skills development, ensuring talent is recognised, nurtured and supported
- Engage with our employees to ensure that they are fully aligned with the Group's purpose and strategic objectives
- Continue to address the skills shortage within the housebuilding industry by investing in trainees and apprentices
- Create a supportive, hard-working and customer focused culture
- Create 'opportunities for all' by increasing the diversity of our workforce

How we measure progress

- Number of apprentices and trainees
- Number of training days delivered
- Number of females on our senior management team
- Feedback from our Employee Engagement Survey

Value for our stakeholders

- We provide our employees with the opportunity to have interesting and challenging careers with us
- We aim to attract and retain motivated and talented people to deliver the Group's purpose and strategic objectives

Providing a sustainable supply of high quality land

- Identify and fulfil the short and long term needs of local communities through our on market, and strategic, planning and land investment processes
- Through well-judged land replacement, deliver a supply of high quality sustainable land to meet housing need
- Deliver our strategic land holdings for development
- Maintain high quality consented land holdings enabling the Group to be resilient to any volatile movements in the land market
- Environmental and climate change considerations are integral to the Group's approach to acquiring land

How we measure progress

- Number of plots owned and under control
- Successful conversion of land from the Group's strategic land holdings
- Land cost as a percentage of housing turnover

Value for our stakeholders

- Acquiring land in the right location and at the right point in the housing cycle is important for our customers and local government to ensure that housing needs are met
- Designing and developing a high quality scheme provides value for our customers, the community and the land owner
- High quality land holdings that progress through the planning system as quickly as possible provide strong investment returns for our investors

Working safely, responsibly and efficiently

- Maintain excellent health and safety standards on our sites and in our manufacturing operations
- Minimise our environmental impact
- Further embed sustainability considerations into our core operations
- Support a secure, collaborative and sustainable supply chain
- Continue to strengthen our off-site manufacturing capabilities, including our Space4 modern method of construction facility; Brickworks, our brick manufacturing facility; and Tileworks, our roof tile manufacturing plant

How we measure progress

- Number of construction work related incidents
- Waste generated per home sold and percentage recycled
- Greenhouse Gas Emissions per home sold
- Number of Space4 modules used
- Number of Group manufactured bricks and roof tiles used in our operations
- Housing operating margin

Value for our stakeholders

- Protecting the health and safety of our workforce, our suppliers, our customers and the local communities in the areas in which we build is of paramount importance
- Securing an effective, sustainable supply chain improves build quality, productivity and efficiency benefiting our customers and our investors
- Our scale provides our suppliers with certainty of order volumes and revenues
- Our off-site manufacturing capabilities provides us with security and sustainability of supply and assurance of quality in respect of these key materials

Maintaining financial strength

- Maintain a strong balance sheet sustaining continued investment and future returns
- Invest in appropriate levels of working capital and land replacement to meet the housing needs of our customers and their communities
- Maintain discipline over the appropriate level of capital employed within the business through the housing cycle whilst supporting the Group's strategy of putting customers before volume
- Identify capital that is surplus to the operational needs of the business and distribute to investors

How we measure progress

- Housing operating margin
- Profit before tax
- Cash held at the balance sheet date
- Free cash generation in the period
- Return on average capital employed
- Return on equity
- Net assets per share
- Capital return plan payments

Value for our stakeholders

- Ability to make valued long-term contributions and investments that help deliver attractive communities
- Ability to provide certainty of timing and value of returns for our investors

Our Key Performance Indicators (KPIs)

How we performed

Financial KPIs

Revenue measures

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

Profit measures

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

-4%

New housing revenue (£m)

2019	**3,420.1**
2018	3,545.8
2017	3,422.3
2016	3,136.8
2015	2,901.7

Providing good quality homes and customer service
See page 32

-2%

New housing operating margin (%)[1]

2019	**30.3**
2018	30.8
2017	28.2
2016	24.8
2015	21.9

Working safely, responsibly and efficiently
See page 46

Maintaining financial strength
See page 55

-3%

Forward sales (£m)

2019	**1,356.5**
2018	1,397.2
2017	1,356.1
2016	1,234.1
2015	1,103.1

Providing good quality homes and customer service
See page 32

-5%

Profit before tax (£m)[1]

2019	**1,048.1**
2018	1,100.0
2017	977.1
2016	782.8
2015	637.8

Working safely, responsibly and efficiently
See page 46

Maintaining financial strength
See page 55

Cash and cash flow measures

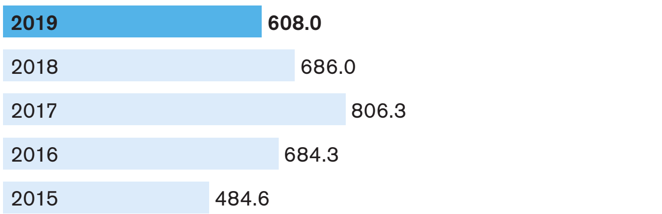
Cash and free cash generation are used to measure balance sheet strength and liquidity. Ensuring we have an appropriate capital structure to support our business through the cycle is key to our success.

Return measures

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

-11%

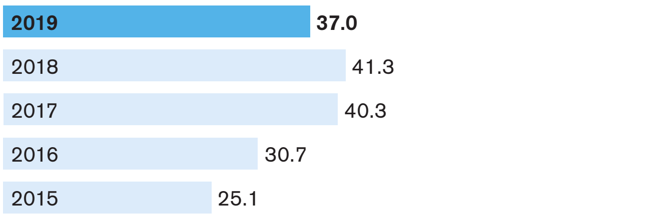
Free cash generation (£m)[2]



Maintaining financial strength
See page 55

-10%

Return on average capital employed (%)[3]

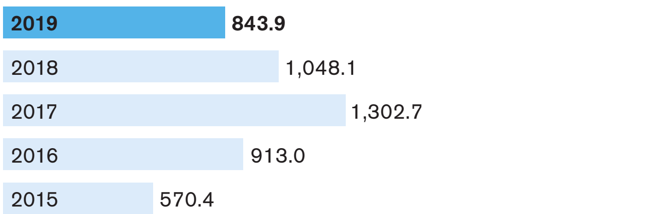


Working safely, responsibly and efficiently
See page 46

Maintaining financial strength
See page 55

-19%

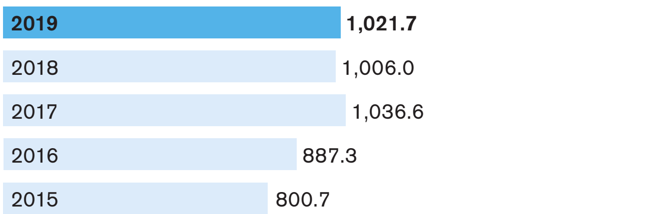
Cash (£m)



Maintaining financial strength
See page 55

+2%

Net assets per share (pence)



Maintaining financial strength
See page 55

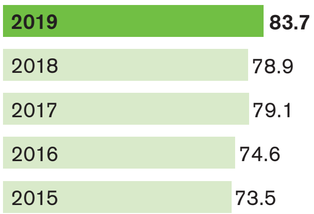
1 Stated before exceptional items and goodwill impairment. After exceptional items and goodwill impairment the figures are as follows: Housing operating margin: 30.1% (2018: 30.5%; 2017: 27.9%; 2016: 24.6%; 2015: 21.6%); Profit before tax: £1,040.8m (2018: £1,090.8m; 2017: £966.1m; 2016: £774.8m; 2015: £629.5m).
2 Free cash generation is defined as net cash flow before financing activities and before £13.9m of employers' National Insurance contribution payments in respect of share based payments (2018: £46.7m; 2015-17: nil).
3 12 month rolling average and stated before exceptional items and goodwill impairment and includes land creditors. After exceptional items and goodwill impairment the figures are as follows: Return on average capital employed: 36.7% (2018: 41.0%; 2017: 39.8%; 2016: 30.3%; 2015: 24.8%).

Non-Financial KPIs

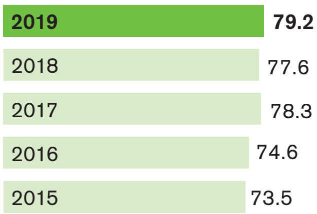
Customer survey

We participate in the Home Builders Federation National New Homes Customer Satisfaction Survey[1] to help improve our overall service and the quality of our homes.

Customer satisfaction scores (%)[1]



Quality (%)



Providing good quality homes and customer service
See page 32

Construction work related incidents

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

Number

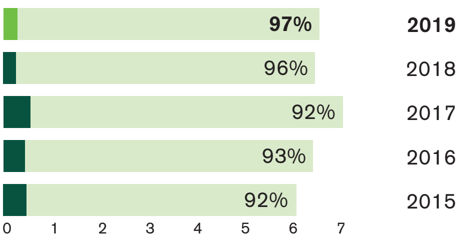
Creating and supporting sustainable and inclusive communities
See page 38

Maintaining a diverse, talented, engaged and motivated workforce
See page 41

Waste generated per home sold and % recycled

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

Tonnes

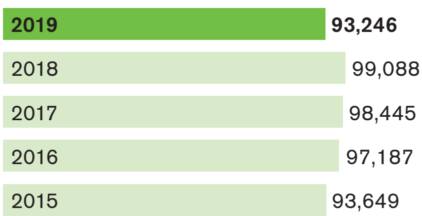


Creating and supporting sustainable and inclusive communities
See page 38

Land bank

Land is our key raw material and we monitor the amount of land we control with planning permission to ensure that we have continuity of supply.

Plots



Providing a sustainable supply of high quality land
See page 44

1 Questionnaires returned for homes sold from October to September each year.

Our environmental, social and economic contribution statement

As a responsible business, we continue to recognise the importance of contributing to wider society.

Our environment

We are committed to managing the direct and indirect impacts on the environment of our developments, the new homes we build and our ongoing business operations. We have established internal working groups and will proactively engage with the wider housing industry to determine how best to achieve the transition to low carbon homes in line with the Future Homes Standard proposed for 2025.

The Group aims to reduce the intensity of our Scope 1 and 2 emissions by 10% from 2017 to 2026 on a like for like basis. We will be reviewing our carbon reduction targets during 2020.

We support the Task Force on Climate-related Financial Disclosures' (TCFD) aims and have begun to include disclosures in line with its recommendations (see page 51).

97%
Waste recycled
2018: 96%

78%
Sites with sustainable urban drainage systems
2018: 75%

82%
Homes built including modern methods of construction
2018: 74%

100%
New homes fitted with LED bulbs
2018: 100%

41%
Percentage of bricks used that were manufactured by our Brickworks
2018: 21%

84
SAP rating of new homes we build
2018: 83

c.750 acres
Public open spaces and gardens for families provided*
2018: c.750 acres

2.14
Greenhouse Gas Emissions per home sold
2018: 2.33

During the year we identified six UN Sustainable Development Goals where we believe we can make a positive contribution to these common aims.

For more information
See pages 48 to 51

* Estimated using average garden size and site density.

Our social contribution

We are proud to support our local communities, providing 'homes for all' and creating attractive neighbourhoods.

The Group provides rewarding careers and aims to protect the wellbeing of its staff.

15% of our employees are involved in a formal training programme (2018: 15%).

The Persimmon Charitable Foundation has donated £2.3m to local charities and community groups (2018: £1.3m).

Homes for all

3,589
Affordable homes delivered*
2018: 3,333

35%
Private sales below £200,000
2018: 39%

4,679
Homes provided with FibreNest ultrafast broadband
2018: 582

50%
Private sales to first-time buyers
2018: 51%

Our communities

£522m
Investment in local communities**
2018: £474m

2,514
New school places created***
2018: 2,413

£82m
Local councils revenue support†
2018: £84m

Our employees

£9.30
Minimum hourly pay
2018: £9.00

c.750
Trainees and Apprentices
2018: c.630

From January 2019 we have adopted the Living Foundation Wage criteria for our employees.

Member of GLAA**** Construction Protocol

3.8
Construction work-related incidents per 1,100 workers
2018: 3.2

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

For more information
See pages 38 to 43

* Includes homes delivered to housing associations & Discounted Open Market Value Housing.
** The value of homes delivered to housing associations, the value of Discounted Open Market Value Housing plus the value of planning contributions we have made.
*** Estimated using data published by the National Audit Office.
**** Gangmaster and Labour Abuse Authority.
† Council tax revenues and new homes bonus. Estimated using an economic toolkit.

Our economic contribution

As one of the UK's largest housebuilders, we make significant contributions to our national and local economy.

We employed 5,097 people on average during 2019. Our operations have supported almost 50,000* jobs on our sites and within our supply chain.

£3.3bn
Economic output* (Gross Value Added to the economy)
2018: £3.4bn

29,127
supply chain jobs supported*
2018: 30,041

£79m
First occupation expenditure* (customers' expenditure on furnishing and decorating their new home)
2018: £82m

6,245
subcontractors supported
2018: 5,865

£378m
Residential expenditure* (spending within local shops and services by residents of new homes delivered)
2018: £392m

£1,416m
total spend with subcontractors
2018: £1,351m

20,095
Construction jobs supported*
2018: 20,768

5,762
Suppliers supported
2018: 5,541

5,097
average directly employed workforce
2018: 4,809

£547m
total supplier spend
2018: £525m

* Estimated using an economic toolkit.

Putting our customers before volume

Highlights

Implementing our customer care improvement plan

Putting our customers before volume

Embracing the Independent Review recommendations

Homebuyer Retention Scheme introduced, a first for the industry

Providing 'homes for all' – addressing the country's housing needs

15% of our colleagues taking part in formal training programmes

Strong Employee Engagement Score*

8% reduction in our Scope 1 and 2 greenhouse gas emissions per new home sold

Over £520m investment in local communities

£2.3m donated to local charities and community groups

Continuing to maintain sustainable, high quality land holdings

Continuing to deliver industry leading financial performance

"Improving build quality and the service delivered to our customers were our top priorities throughout 2019. Our results reflect our focus on offering attractively priced new homes for all. The Group is in a strong position for the future supported by our talented teams, healthy forward sales, strong forward build and robust balance sheet."

Dave Jenkinson
Group Chief Executive

* Based on Harris Interactive Employee Engagement Survey.

Overview

Throughout 2019 our focus was firmly on the quality of our homes and the service we offer to our customers. At the start of the year we implemented our customer care improvement plan ('the Plan'), with a clear priority of putting our customers before volume. The Plan is a comprehensive programme of measures to improve the Group's performance on all aspects of build quality and customer experience. It is challenging by design and we believe will place the Group in a strong position for the future.

Having commissioned the Independent Review in April, we were clear from the outset that we would not delay action until its completion in December. We have a culture of continuous review and rapid implementation within the business and as a result, the Plan strengthened and evolved throughout 2019 as the Group exercised increased discipline over the timing of sales releases, and invested in work in progress, quality and service resources, digital technology and enhancing Group wide processes.

The Board reviewed the effectiveness of the Group's build quality and customer care initiatives in light of the recommendations of the Independent Review (published in December 2019) and noted that many of them had already been, or were in the process of being, implemented. The additional recommendations have been embraced by the business and are now in the process of being rolled out.

I have informed the Board of my wish to step down as Group Chief Executive in due course. I am fully committed to leading the ongoing programme of change for as long as the business requires. Persimmon is an outstanding business with a strong balance sheet and talented and dedicated people. I am pleased with the energy and enthusiasm with which the whole team is making the many necessary changes to implement the Group's improvement plans. We have made a positive start to our change programme and I am confident the required progress will be made to deliver higher levels of quality and service to all of our customers. I would like to thank the Persimmon team for all their hard work and commitment.

Focusing on our customers – our customer care improvement plan

Our customer care improvement plan, introduced at the start of 2019, continued to evolve throughout the year. We have implemented a number of initiatives to focus on improving:

- The quality of the homes we build;
- Communication with our customers;
- The service we offer to our customers once they have moved into their new home; and,
- Consumer rights.

The Group has invested in its work in progress and delayed sales releases on sites with higher demand to allow build progress to reach a more advanced stage. This supports the improvement in construction quality that we are determined to deliver, ensuring that our quality assurance processes are more effective for each home. It also enables us to enhance our customer service provision as we are able to offer homes at a more advanced stage of build and provide a more accurate moving in date.

£213m

Additional work in progress investment

Reflecting these planned outcomes, our work in progress investment had increased by £213m at 31 December 2019, representing c.6,100 new homes under construction and an increase of 14% compared to last year.

We have invested significantly in digital technology covering our build and inspection processes and have recruited a team of Independent Quality Inspectors to critically assess each key stage of our construction process and to provide increased levels of quality and safety assurance. These inspectors operate independently of our site management teams to ensure the homes built for our customers are of the high quality standard that our customers expect. In addition, each of our homes undergoes a seven stage inspection process when it is nearing completion, to ensure it meets the necessary quality standard.

Regular communication is important to our customers. We have established a comprehensive customer support process which will be further enhanced by the implementation of a 'customer portal' in the first half of 2020. This customer portal is designed to inform each of our customers of the construction progress of their new home, to provide confirmation of their specification details and the contractual status of their purchase, and to provide accurate, timely information regarding their anticipated 'move in' date.

To facilitate improved levels of service to our customers after they have moved into their new home we made a significant investment in our customer care resource which has increased by 52% year on year, with a 70% increase in site based customer care staff. To deliver a more responsive service we have introduced digital tools that support greater mobility and productivity of our customer care teams out in the field and delivered c.1,100 customer care training days to our teams in 2019.

To support improved consumer rights and empower its customers Persimmon introduced its Homebuyer Retention Scheme from 1 July 2019. This is a first for the UK housebuilding industry and aims to drive behavioural change throughout the business and reinforce the Group's objective of delivering higher levels of build and finish quality. Our pre-completion quality assurance procedures are designed to 'get it right first time'. To reinforce this discipline our customers are invited to complete their own seven-day inspection review following their moving in day. They are requested to highlight any items of concern they have identified having lived in their new home. The customer's solicitor retains 1.5% of the new home purchase price which is only released once any matters are resolved.

Independent Review update

The Independent Review commissioned by the Board ('the Review') assessed the effectiveness of Persimmon's improvement initiatives to determine whether they would enable the business to deliver consistent high standards of quality, safety and customer service across all of our regions.

We agree with the Review's additional recommendation to establish a consolidated, consistent Group wide approach to construction (the Persimmon Way) and the process has already commenced with the establishment of our Construction Working Group in October 2019. This working group comprises experienced senior construction professionals from across the business. The Group has appointed a 'Group Construction Champion' to manage and monitor the implementation of the Persimmon Way based upon strong central control of construction quality standards. Mandatory standardised training will be provided to all relevant employees by the Group Training Department. The Group's team of Independent Quality Inspectors will focus on supporting site management teams to apply these construction standards consistently across the business.

Once the Persimmon Way is rolled out across the Group through 2020, a third party will be appointed to independently verify the execution of the required construction processes on an annual basis, providing further assurance over the quality of our build.

All of these measures are designed to ensure that the Group builds well-designed, high quality, safe homes for all its customers. These enhanced quality assurance procedures are reinforcing the behavioural change required to mitigate the risk of substandard execution of the Group's required build processes, such as the historic failure to properly install cavity barriers in certain of its properties, from occurring in the future. We are continuing to progress our cavity barrier inspection programme, with over 20,000 properties now inspected.

In the year to 30 September 2019, the last annual measurement period, the percentage of our customers who would recommend Persimmon to a friend under the independent Home Builders Federation ('the HBF') survey is currently trending strongly ahead of the Four Star threshold. We believe we will achieve a Four Star rating when the annual results are published in March 2020. While our ongoing quality and customer care improvement programme goes far beyond a focus on the criteria of the HBF survey, we are pleased that this external measure provides tangible evidence of the improvements being delivered to our customers.

The Board is ensuring that senior management's objectives are aligned with the Group's strategic aims by including build quality and customer service metrics within the performance conditions for annual bonus awards.

Performance review

Profit before tax for the year was £1,041m (2018: £1,091m), from new housing revenues of £3,420m (2018: £3,546m). The reduction in new housing revenues of 3.5% year on year reflects our priority of putting customers before volume during the implementation of the Group's customer care improvement plan. The Group delivered 15,855 new homes in 2019 (2018: 16,449 new homes) at an average selling price of £215,709 (2018: £215,563).

Through 2019, as part of the plan to increase the quality and service provided to our customers, we released new homes for sale at later stages of construction on sites with higher demand resulting in a c.7% reduction in the average number of sales outlets open in 2019 when compared with 2018, at c.350 outlets (2018: c.375). The Group had c.350 sales outlets open at 31 December 2019 (31 December 2018: c.370 outlets). Persimmon has a strong, well balanced network of sites and each of our 31 housebuilding businesses is underpinned by high quality land holdings ensuring that the Group maintains a sustainable market share in each of its regional markets.

During 2019 the Group's private sales rate per outlet per week was c.0.68, c.3% lower than the prior year (2018: c.0.70), reflecting the resilience of customer confidence in the market despite some significant uncertainties. This rate of private sale was a little lower than our optimal rate of c.0.75 of a sale per outlet per week and, in part, reflects the impact of the successful execution of the Group's customer care improvement initiatives.

We remain committed to meeting 'all housing needs' by providing homes at a range of price points across the UK. Persimmon has opened seven new housebuilding businesses in the last five years in support of the construction and delivery of c.78,100 new homes across the UK, of which c.14,000 were provided to our housing association partners. Our average private selling price of £241,985 was 18% lower than the UK national average of £295,160* reflecting our commitment to delivering affordable housing for all.

Forward sales at 31 December 2019 of £1.36bn were 3% lower than the prior year (2018: £1.40bn) after second half legal completion volumes of 8,271, which were 9% stronger than for the first half of the year (H1: 7,584).

The Group's land holdings

The Group's existing high quality land holdings enabled us to continue our strategy of disciplined selective investment in land through 2019. The land market remained broadly supportive, albeit through the second half there were some pockets of increased competition, particularly for smaller sites, in certain locations. We remain mindful of prospective changes to market conditions, including those associated with the UK's departure from the EU, when assessing land investment.

* 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.

Persimmon has worked in long-term partnership with local authorities and communities to acquire land in sustainable locations that meet local housing needs. Since 2012 the Group has spent £4.3bn on land and opened almost 1,500 new development outlets delivering 113,000 new homes to communities across the UK in line with the Government's drive to increase new home supply.

At the year end the Group owned and controlled 93,246 plots in its consented land holdings (2018: 99,088 plots) with c.50% previously held by the Group as strategic land. Within these land holdings, the Group owned 46,055 plots on sites with detailed planning consent, all of which are under construction. We have a further 25,887 plots of owned land which are currently proceeding towards achieving full planning consent.

The Group owned and controlled c. 15,900 acres of strategic land, including a number of allocated sites, at 31 December 2019. In line with our strategic objectives, our land, planning and design teams will remain focused on working with planning departments and local communities to achieve implementable detailed consents as quickly as possible, to maintain a strong pipeline of well designed newly built good quality homes over future years.

Outstanding land creditors reduced by £113m to £435m at 31 December 2019 (2018: £548m). The Group's healthy cash generation and careful working capital management place the business in a strong position to take advantage of attractive future land investment opportunities.

Off-site manufacturing

The Group continues to focus on self-help action to address build cost pressures, including the use of the Group's core range of house types, strong collaboration with our subcontractors and suppliers, and utilisation of in-house manufactured brick and roof tiles. The Group's investments in its in-house manufacturing capabilities also support improvements in overall supply chain capacity to assist the further expansion in industry output.

The Group's concrete brick manufacturing facility, based at Harworth near Doncaster, has the capacity to manufacture c.80m concrete bricks per annum. During 2019, our operating businesses used c.50m bricks from this facility, just over 40% of the Group's requirements for the year.

93,246

Owned and controlled land holdings

2018: 99,088

In December 2019, the Group completed the construction of its roof tile manufacturing facility, Tileworks, based at the same site in Doncaster. The facility is due to commence delivery to our sites in spring 2020.

Our Space4 manufacturing facility, which produces timber frames, closed insulated wall panels and roof cassettes, also helps in easing traditional skills pressures in certain locations where their availability remains tight. Space4 has increased its production capacity by c.13% to c.6,900 units per year, consisting of c.5,500 timber frames and c.1,400 'room in the roof' systems.

FibreNest

In line with its ambition to deliver better service to its customers, Persimmon established FibreNest in 2018 to deliver ultrafast, full fibre to the home, broadband services. FibreNest, which is aligned with the Government's digital strategy, has expanded rapidly this year and is highly rated by its customers. At 31 December 2019, FibreNest had c.4,700 customers connected to the service on c.110 sites.

The Group intends to continue to support new customers on future sites as this service is rolled out further.

Our employees

The Group's talented, skilled and motivated workforce is a key strength. We have a culture of hard work, enthusiasm, commitment and resilience, and a capacity to embrace change and improvement to support the successful development of the business. The results from our recently completed Employee Engagement Survey showed that 96%* of colleagues understood how their individual efforts contributed to Persimmon's ability to meet its objectives. This culture is a key enabler of the delivery of the build quality and customer service improvement plan. The Group is a meritocratic open workplace where we encourage all employees to fulfil their ambitions and pursue rewarding roles as part of the Persimmon team.

* Based on Harris Interactive Employee Engagement Survey.

We provide clear opportunities for career progression and I was pleased to see 374 colleagues promoted in the year. As well as nurturing home grown talent, we recognise the value of wider experience from colleagues that have been recruited externally. In 2019, we recruited 169 people into senior positions within the business (2018: 249).

We recognise that investment in the Persimmon team is a key priority to sustain the business over future years. The Group has invested significantly in its Group Training Department which is responsible for developing Group wide training resources and delivering a consistent approach to all our operating regions. The department is also delivering a comprehensive mental health training and awareness programme to each of our 31 operating businesses. We have trained three members of the department to become accredited mental health first aid trainers. To date we have trained our first 22 mental health first aiders and intend to increase this number to c.75 by the end of 2020.

We remain committed to addressing the skills shortage within the industry and have recruited c.750 trainees across the Group (15% of our team), including over 450 traditional apprentices. The Group is a member of The 5% Club, an employer organisation creating momentum behind the recruitment of apprentices, sponsored students and graduates into the workforce, demonstrating that young people seeking to gain skills and qualifications can have an excellent career with us. We directly employ c.2,050 local tradespeople, more than any other housebuilder. In addition, we delivered c.14,300 training days to our workforce and continue to be closely involved in the Home Building Skills Partnership, a joint initiative of the Construction Industry Training Board and the Home Builders Federation (HBF) that aims to address the shortage of skilled workers in the industry.

Over many years a key part of Persimmon's strategy has been to establish a diverse and inclusive workforce. In 2019, the Group signed up to the Social Mobility Pledge which encourages businesses to boost social mobility in the UK by partnering with schools and colleges to provide mentoring, coaching and structured work experience, and by adopting open recruitment practices which promote a level playing field for people from all backgrounds. Persimmon has been chosen by the Pledge team to lead its work within the housebuilding sector, reflecting the valuable work the Group is doing in this area. In addition, we have signed up to the Business Disability Forum which promotes best practice in order to help its members manage disability issues with employees, customers and other stakeholders.

c.750

Trainees and apprentices

2018: c.630

To help guide and direct our investment in our colleagues we engage with our employees in a number of ways. The Group's Employee Engagement Panel, which met three times in 2019, presented its discussions to the Corporate Responsibility Committee and the Board during the year. In addition, the Group is partnering with Harris Interactive to undertake formal Employee Engagement Surveys, the first of which was rolled out in January 2020. As noted on page 43, the initial results from this survey indicate strong employee engagement with Persimmon with colleagues valuing their work place and career opportunities highly.

Sustainability

We believe that a sustainable business is a successful business. Environmental, Social and Governance matters are extremely important to Persimmon and we believe we need to deliver long term value to all stakeholders in the business including our customers, our employees, our supply chain partners, our communities, and our shareholders, as well as wider society.

Our Corporate Responsibility Committee is responsible for co-ordinating the Board's sustainability strategy across the Group and comprises colleagues from a wide cross section of disciplines. We have appointed a Group Sustainability Manager who will be responsible for further embedding this strategy into our core operations.

We aim to embed sustainability and environmental considerations into all of our core processes. We develop on brownfield sites wherever possible. For example, our Charles Church business was awarded 'Best Refurbishment Project' at the Housebuilder Awards 2019 for its work on the previously derelict Stone Cross Manor in Ulverston.

As a responsible business, we continue to recognise the importance of contributing to wider society. During the year, the Corporate Responsibility Committee carefully reviewed each of the United Nations Sustainable Development Goals and their related targets to identify areas where we believe we can make a positive contribution to these common aims and to ensure our ongoing strategic objectives are aligned.

In early 2019, we established a 'low carbon homes' working group to plan and manage the transition to constructing new build homes with low carbon heating and improved levels of energy efficiency. We are actively engaging with the housing industry and Government to find an effective and cohesive strategy to meet the challenge of achieving the 'Future Homes Standard' proposed for 2025.

We monitor the environmental impact of our operations carefully. We have seen a reduction in our Scope 1 and 2 greenhouse gas emissions per new home sold from 2018 of c.8% and will continue to seek more efficient methods of operating to drive further improvements. In 2020, we will review our emissions target with the aim of aligning it with the latest climate science.

£2.3m

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

2018: £1.3m

The Persimmon Charitable Foundation

We are proud of the contribution made by the Persimmon Charitable Foundation. During the year, the Foundation ran some extremely successful campaigns resulting in donations of £2.3m being made to c. 900 local charities and community groups.

The 'Community Champions' campaign which was originally established in 2015, continued throughout 2019 and donated c.£740,000 to c.770 local organisations.

The Foundation launched its 'Building Futures' campaign in 2019, in association with Team GB, and donated £1,072,000 to 127 charities which support children and young people's participation in the arts, sport, and health and wellbeing.

Both campaigns will continue in 2020.

In addition, the Foundation donated £400,000 to Crisis, a national charity working to end homelessness, and has pledged a total of £200,000 to SASH, a York based charity aiming to prevent homelessness among young people aged 16 to 25 in North and East Yorkshire.

Strong returns, capital discipline, and cash generation

The Group's return on equity* for 2019 of 26.3% (2018: 27.7%) reflects its strong post tax profit of £848.8m (2018: £886.4m) and disciplined approach to capital deployment. The Group's strategy and capital return plan ensures the reinvestment needs of the business are addressed whilst the capital employed in the business is managed at appropriate levels to generate attractive risk adjusted returns for our shareholders.

Persimmon's underlying return on average capital employed** for 2019 of 37.0% (2018: 41.3%) reflects the investment in our business to promote its sustainable success.

A central feature of the Group's strategy is the delivery of strong liquidity with free cash generation in 2019 of £543.6m (before capital returns of £747.8m) (2018: £477.7m before capital returns of £732.3m).

Capital returns

The Group's strategy launched in 2012 recognises Persimmon's ability to return capital which is surplus to the reinvestment needs of the business to its investors at certain points through the market cycle. We invest in infrastructure and on-site new home construction to fulfil local communities' housing needs. Our continued strong financial performance allows Persimmon to invest to achieve optimal operating scale within each of our regional markets, including executing disciplined, well judged land investment at the right time through the cycle, whilst also minimising financial risk, for the long term benefit of all stakeholders in the business.

During the eight year period from 2012 to 2019 capital returns of £9.55 per share, or £2.97 billion, have now been paid to shareholders.

As explained in the Chairman's statement, the Directors are maintaining the existing schedule of capital returns for 2020 and are pleased to announce a further return of £2.35 per share for 2021.

The total value of the capital return plan to 2021 is now £14.25 per share compared to the £6.20 per share initial commitment made by the Board in 2012.

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

Original Plan	Existing Plan	Original Plan Pence Per Share	Existing Plan Pence Per Share
28 June 2013	28 June 2013	75 paid	75 paid
	4 July 2014	–	70 paid
30 June 2015	2 April 2015	95 paid	95 paid
	1 April 2016	–	110 paid
	31 March 2017	–	25 paid
30 June 2017	3 July 2017	110 paid	110 paid
	29 March 2018	–	125 paid
	2 July 2018	–	110 paid
30 June 2019	29 March 2019	–	125 paid
	2 July 2019	110 paid	110 paid
30 June 2020	2 April 2020	–	125^
	6 July 2020	115	110^
30 June 2021	Late March 2021	–	110^
	Early July 2021	115	125^
Total		**620**	**1,425**

^ Current anticipated profile of payments.

Over and above the Group's short term outperformance, the Board has also assessed the longer term prospects of the Group and the effectiveness of its strategy. The Board's conclusions are explained on page 70.

* 12 month rolling profit after tax generated from the average of the opening and closing total equity for the 12 month period.
** 12 month rolling average stated before goodwill impairment and includes land creditors.

How we performed in 2019

Financial highlights

£1,036.7m

Underlying operating profit* -5%

2018: £1,091.9m

£848.8m

Profit after tax -4%

2018: £886.4m

£843.9m

Cash -19%

2019: £1,048.1m

£608.0m

Free cash generation** -11%

2018: £686.0m

£996.2m

Cash generation pre land investment*** -8%

2018: £1,082.8m

"Persimmon is in a strong position. With high quality land holdings and a robust balance sheet, the Group is well placed for the future."

Mike Killoran
Group Finance Director

* Stated before goodwill impairment of £7.3m (2018: £9.2m).

** Free Cash Generation is defined as net cash flow before financing activities and before £13.9m of employers National Insurance contribution payments in respect of share based payments (2018: £46.7m).

*** Cash generation pre land investment defined as net cash flow before capital returns of £747.8m and before net land spend of £452.6m. (2018: capital return £732.3m and net land spend £605.1m).

Profitability

The Group delivered another solid trading performance in 2019. Total revenues were £3,649.4m (2018: £3,737.6m), with a 4% reduction in new housing revenues of £125.7m to £3,420.1m from £3,545.8m in 2018, reflecting the Group's priority of putting customers before volume through the implementation of its customer care improvement plan (see page 32).

During the year, new housing gross margins remained relatively stable at 33.1%* (2018: 33.3%). The Group's average private selling price of £241,985 (2018: £238,373) increased by 1.5% from the prior year. Private market sales of 12,463 new homes in the year accounted for c.88% of the Group's housing revenue (2018: 90%). Sales in our Northern businesses accounted for 57% of the total private new homes delivered (2018: 55%).

In 2019, a greater proportion of our new home legal completions were sold to our Housing Association partners by our Westbury Partnerships business, contributing 21% of homes sold in the year (2018: 19%).

The Group's total average selling price has remained broadly in line with last year at £215,709 (2018: £215,563). The increased proportion of homes sold by Westbury Partnerships in the year served to reduce the overall year on year improvement of 1.5% in the average selling prices of the Persimmon and Charles Church private sales brands.

The Group's total gross margin for the year was 31.0% (2018: 31.6%), with a new housing gross margin of 33.1%* (2018: 33.3%). The cost of the Group's investment in quality assurance and customer care resources has increased by c.50% reflecting the Group's priority of focusing on improving levels of quality and customer service.

The high quality of the Group's land holdings is reflected in the lower land recovery rates year on year which have secured an additional 60 basis point contribution to the Group's new housing gross margin. For 2019, the value of the Group's land recoveries totalled 14.0% of new housing revenue (2018: 14.6% of housing revenue).

Underlying operating profits** have decreased by 5.1% to £1,036.7m (2018: £1,091.9m), with an underlying new housing operating margin*** of 30.3% (2018: 30.8%). The Group's underlying pre-tax profits** were £1,048.1m, 4.7% lower than 2018 (£1,100.0m).

Asset strength

The Group has a robust balance sheet with net assets of £3,258.3m at 31 December 2019 (2018: £3,194.5m) having retained earnings of £2,693.9m in 2019 (2018: £2,634.0m). After returning £747.8m of surplus capital to shareholders during the year, the Group's net assets per share at 31 December were 1,021.7 pence, an increase of 2% compared with the prior year (2018: 1,006.0 pence).

At 31 December 2019 the carrying value of the Group's land assets was £1,938.6m, £138.6m lower than the prior year (2018: £2,077.2m) reflecting the Group's disciplined approach to land investment. The Group owns 71,942 plots of which 46,055 have detailed implementable planning consents. A further 21,304 plots are under the Group's control, being plots where we have exchanged contracts to buy but where the contract remains to be completed due to outstanding conditions remaining unfulfilled. Our total owned and under control land holdings provide 5.9 years of forward supply at 2019 volumes. During the year, 10,013 plots were added to our land holdings. Continued conversion of land from our strategic land portfolio together with excellent value on-market acquisitions have maintained the Group's high quality consented land holdings.

Our work in progress carrying value at 31 December 2019 of £1,094.6m was £212.8m higher than the prior year (2018: £881.8m). This reflects the Group's strategy of undertaking substantial investment in its site work in progress and delaying sales release until more advanced stages of construction are achieved in higher demand locations to support increased levels of quality and customer service. This action has improved the availability of homes to buy which are at a more advanced stage of construction, enabling us to provide more accurate move in dates for our customers and also assists in increasing the effectiveness of our quality assurance processes.

30.3%

New housing operating margin**

2018: 30.8%

£1,094.6m

Work in progress carrying value

2018: £881.8m

* Stated on new housing revenues of £3,420.1m (2018: £3,545.8m) and gross profits of £1,130.7m (2018: £1,179.9m).
** Stated before goodwill impairment of £7.3m (2018: £9.2m).
*** Stated before goodwill impairment (2019: £7.3m, 2018: £9.2m) and based on new housing revenue (2019: £3,420.1m, 2018: £3,545.8m).

By the end of the year the Group's work in progress investment represented 32% of 2019 housing sales revenue, providing a solid platform for improved build quality and customer service.

The Board reviewed the net realisable value of land and work in progress at 31 December 2019 using consistent principles to prior years and concluded that the carrying value was appropriate. At the year end the Group retained an impairment provision of £33.7m (2018: £37.8m).

The Group's total retained profit after tax for the year was £848.8m (2018: £886.4m). The after tax remeasurement loss on the Group's £77.6m defined pension asset reduced the Group's retained earnings by £22.4m. The net settlement of share options exercised in 2019 resulted in a £26.9m decrease in the Group's retained earnings.

Cash generation, net finance income and financial assets

The Group continues to deliver strong cash generation. In 2019, the Group generated £996.2m (2018: £1,082.1m) of cash before capital returns of £747.8m and net land spend of £452.6m. Cash balances at 31 December 2019 totalled £843.9m (2018: £1,048.1m) reflecting the Group's additional investment in work in progress of £212.8m and a reduction in land creditors of £112.8m to £435.2m (2018: £548.0m). With the progressive reduction in its outstanding land creditors the Group is in a strong position to invest in new attractive land opportunities using deferred land payments where appropriate. Cash inflow from operations, totalled £778.2m in 2019 (2018: £818.2m).

The Group's shared equity loans have generated £31.4m of cash in the year (2018: £41.6m). The carrying value of these outstanding shared equity loans, reported as 'Shared equity loan receivables', is £68.6m at 31 December 2019 (2018: £86.9m). 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 £11.4m (2018: £8.1m). Incorporated within this is £13.1m of gains generated on the Group's shared equity loan receivables (2018: £11.2m) and £5.4m of imputed interest payable on land creditors (2018: £9.3m).

The Group's overall effective tax rate for 2019 was 18.5%, slightly lower than the mainstream rate of 19%. The Group paid corporation tax of £159.6m (2018: £165.8m) during the year. With changes in UK tax legislation, in keeping with all large UK companies, there will be an acceleration of the Group's corporation tax payments resulting in a c.£100m increase in tax cash outflows for 2020.

Shareholders' equity, treasury policy and related risks

A key element of the Board's strategy remains the return to shareholders of any capital which is surplus to the reinvestment needs of the business through the Group's Capital Return Plan. The Group maintains an efficient capital structure and a robust balance sheet which is designed to minimise financial risk through the economic cycle. The Group's Capital Return Plan schedule is continually assessed by the Directors.

In March 2019 we concluded the renewal of the Group's £300m Revolving Credit Facility with strong support from our five relationship banks. This facility has a five year term to 31 March 2024 and forms an important element in the Group's working capital resources and flexibility.

As already noted, during 2019, as part of the implementation of the customer care improvement plan the Group has invested more in its on site work in progress to support higher levels of quality and customer service, putting customers before volume. The Group has maintained its strong liquidity and a robust balance sheet including this additional substantial site investment. The Group's revolving credit facilities will only be used to support short term seasonal working capital needs. We will continue to carefully manage the working capital needs of the business, ensuring that appropriate work in progress levels are maintained on site to meet our strategic objectives, the generation of annual after tax earnings and the management of the Group's equity, debt and cash management facilities. This considered approach will mitigate the financial risks the Group faces which include credit risk, liquidity risk, interest rate volatility and debt capital market pricing risk.

£435.2m

Land creditors

2018: £548.0m

Current trading outlook

The UK housing market remains supportive against a backdrop of high employment, historically low interest rates, a positive lending environment and resilient consumer confidence. The health of the UK housing market will be dependent on the impact of the new trade agreements between the UK and other world nations, including the EU, and this together with other global economic challenges, present some uncertainties over the future outlook. However, market fundamentals remain positive including long term unfulfilled level of demand. Our strategic objectives are aligned with Government housing priorities. Since 2012 we have invested c.£4.3bn in land to help bring as many new developments forward as possible. We support the Government's initiatives to assist the increase in output from the industry towards its goal of reaching 300,000 new homes built each year by the mid-2020s. The Group is well positioned in its local markets, offering homes at affordable prices on developments that concentrate on providing a good range and choice for all.

We have seen a solid start to 2020 with customer visitors to our sites running ahead of the prior year over the same eight week period. We are continuing to deliver on our strategic discipline of putting customers before volume and are delaying sales releases on certain sites with high demand until construction reaches a more advanced stage. The Group's average private sales rate in the first eight weeks of the new year is c.7% higher than the prior year at 0.88 (2019: 0.82).

The Group currently has c.4,800 new homes forward sold to its housing association partners for lower income families, in line with the same point last year. A key element of the Group's purpose is to deliver homes for all, creating inclusive and sustainable communities. We continue to offer our housing association partners the opportunity to acquire healthy new home volumes, given the Group's strong investment in new land and external infrastructure works, which is enabling substantial new developments to be brought forward. Our newly acquired Monktonhall site on the outskirts of Edinburgh, for example, will provide c.1,000 new homes of which c.260 will be to our housing association partners providing much needed affordable homes for the area.

Looking forward, our priority will remain on improving build quality and customer service by putting customers before volume, whilst also seeking to fulfil pressing housing needs in towns and cities across the country. We will remain alert to changing conditions in the sales and land markets and retain flexibility to react to evolving market events, particularly with regard to the transition period as the UK establishes new trading relationships, including with the EU. The Group will continue to work tirelessly in partnership with local planning authorities and local communities to bring forward the Group's strategic land for inclusion in local authority housing plans and meet their communities' housing needs over the next five years in line with the National Planning Policy Framework.

The Board recognises that the hard work, enthusiasm, resilience and commitment of the whole Persimmon team is supporting significant positive change throughout the business and delivering these strong financial results. We remain confident that the Persimmon team have the skills, imagination and drive to continue to successfully develop the business and we thank all our employees, supply chain partners, subcontractors and other stakeholders for their continued contribution to the success of the Group.

Strategic update

How are we focusing on our customers?

Providing good quality homes and customer service

A home is the most significant financial investment most of our customers will make. It is important that their homes are built to high standards and that we provide good customer service before and after their moving in day.

"The whole experience from Persimmon Homes was excellent from start to finish and it's lovely to be part of a new community."

Helen Rushton
Persimmon Homes customer

From the start of 2019, the Group implemented a detailed customer care improvement plan 'the Plan' to drive through improvements in the quality of our build, our customer service and to embed a culture of putting our customers first.

The Group embraced the changes made under the Plan and this is already yielding positive results. There is more to do however as we seek to further enhance and standardise our build processes and our customers' journey with us.

The Independent Review, ('the Review') commissioned by the Board in April 2019, was asked to consider the effectiveness of the Plan and in December 2019 published its recommendations. We welcome these recommendations, many of which we had been implementing during the year.

Providing good quality homes

Ensuring that all of our homes are built to a high standard is a key priority for the Group. To achieve this, it is important to invest in the right level of build and at the right time, supporting the Group's strategy of putting customers before volume and ensuring that appropriate quality checks are consistently performed at all key stages of build progress.

The Group's core house types, modern methods of construction and high quality supplies are also important elements in supporting this objective.

Investing in our build

We have invested an additional £213m in work in progress and have delayed sales releases on sites with high demand to allow build to reach a more advanced stage prior to sale. This alleviates pressure on our construction teams to enable them to manage their build programmes more effectively and ensures that our quality assurance processes are consistent and more effective for each home.

Consistent build processes

In line with the recommendations from the Review we will be further strengthening our build processes by establishing a Group policy specifying a consistent, Group wide approach to new home construction, 'the Persimmon Way', as opposed to the current more regionally focused approach. In October 2019 we established a Construction Working Group comprising senior experienced construction professionals from across the business. During 2020, this team will draw from best practice, the Review recommendations and safety and regulatory requirements to develop the Persimmon Way and an aligned quality inspection process. Once established, mandatory standardised training will be provided by the Group Training Department to all relevant employees. In addition, a 'Group Construction Champion' has been appointed to manage and monitor the execution of the Persimmon Way across all regions.

Quality inspection processes

Our internal quality control and inspection procedures, which have been strengthened during 2019, occur throughout our build process. They have been supplemented by significant investment in IT systems and digital tools to support site management.

We have appointed a team of 'Independent Quality Inspectors' to critically assess each key stage in the construction process across all the Group's developments. This team is independent from site management and will provide an additional level of assurance that our homes are being built to the high standard that we require and that our customers expect.

The Construction Working Group is establishing a quality inspection process for each of our new homes that will be mandatory across the Group to monitor the adherence to the Persimmon Way on each of the Group's sites. In addition, the Group is to engage an independent third party to review the execution of the Persimmon Way on an annual basis to further enhance our quality assurance processes.

When our homes are nearing completion, we perform a seven stage inspection process, which includes home inspections by senior employees from the relevant regional companies as well as a 'New Home Demonstration' which takes place with the customer, the site manager and the sales adviser.

All of our homes are sold with a 10-year warranty backed by either the National House Building Council (NHBC), Local Authority Building Control (LABC) or Premier Guarantee. Each warranty provider conducts their own independent checks at key build stages.

These initiatives, coupled with our careful and detailed build process are designed to deliver homes to a consistently high standard for our customers across all our operating regions.

This strengthened build process, supervision and inspection regime will ensure that all homes are built to a high standard of safety and quality. It is important to us that any historical problems are rectified by taking action at the earliest opportunity. This was demonstrated when we identified that certain properties did not contain properly fitted cavity barriers. Once this issue was identified we reacted immediately. To date the Group has inspected over 20,000 properties with all properties being remediated where required. The Group has also appointed a leading independent fire engineer to assist with the inspection regime adopted and to advise on its future build regarding the construction and fire strategy in respect of each Persimmon house type.

Our customer service

The Group has made good progress in improving the service that the business provides to its customers. A dedicated Group Customer Care Director was appointed in June 2019 to oversee all aspects of our customer service.

Our customers continue to tell us that good communication throughout the home buying process is very important to them, particularly regarding the crucial 'move in' date. We have therefore established a comprehensive communication approach for each customer. In the first half of 2020 this will be further enhanced by the implementation of a 'customer portal' designed to inform all our customers of the build progress of their new home and provide them with accurate, timely information regarding their anticipated 'move in' date. This portal will further enhance our customers' home buying experience providing them with access to a range of information about their new home, including the ability to personalise the home's specification to suit their needs and purchase any finishing touches.

The Group has also significantly increased its investment in work in progress (see page 32) and delayed sales releases on sites with high demand to improve the availability of homes at a more advanced stage of construction. This means that we can more accurately predict when our customers will be able to move into their new home whilst also helping to ensure that the Group's quality assurance processes are consistently applied.

Providing good quality homes and customer service *continued*

Important consumer protection

We are the first major UK housebuilder to offer a retention scheme. Introduced from 1 July 2019, the scheme allows our customers' solicitors to retain 1.5% of the home's sales price until the customer is happy with their new home and any outstanding items have been resolved.

Any such items are identified on our 'Seven Day Inspection Form' which all of our customers (whether they sign up to the retention scheme or not) are encouraged to complete. This gives our customers a week to live in the property to identify any items that they require us to deal with.

The introduction of this scheme and the investment in the relevant training for our site managers, sales advisers and customer care teams provide a clear message to all our employees of the importance of consistently delivering high quality new homes to our customers.

Our customer care

We listen to our customers and act as promptly as possible to deal with any concerns they may have. We have successfully introduced new digital technology which has and will continue to improve the communication between our regional offices, our customer care departments and our customers.

We have invested significantly in additional training in our customer care departments. In 2019 we delivered c.620 training days to our customer care teams aimed at reducing the time taken to rectify any points raised. Resource in our customer care departments has also increased. At 31 December 2019, the Group's customer care team had increased by 52%.

In response to feedback, our customers are able to contact a customer care team member outside of normal working hours. Our site based customer care operatives are now also available out of hours, including Saturday mornings, to attend appointment times that are most convenient for our customers.

Regular communication with our customers will extend to cover the full two year warranty period following the date the customer moves in to their new home. This provides us with the opportunity to focus on the longer term satisfaction of our customers.

We believe that this continued investment will improve customer service and provide an enhanced customer experience to ensure we continue to increase our customer satisfaction levels.

Customer care and build quality metrics are included in performance conditions for annual bonus awards made to the senior management team, aligning their interests with this priority for the Group.

The Group participates in the National New Homes Customer Satisfaction Survey, carried out by the Home Builders Federation ('the HBF') which asks customers whether they would recommend their builder to a friend. The Group achieved a score of 83.7% for the year to 30 September 2019 and we believe we will attain a Four Star rating when the annual results are published in March 2020.

While our plans for delivering a sustained improvement in quality go far beyond a focus on the criteria of the HBF customer satisfaction survey, we are pleased that our customers have seen improvements in our quality and service.

We recognise there is further work to do in implementing the Group's customer care improvement plan and the recommendations of the Review and this will remain a key focus for the business throughout 2020.

The Board and senior management will measure the progress of these initiatives throughout 2020 (for example the numbers of training days delivered in respect of the Persimmon Way, once it is established).

Our brands

Providing the range, choice and affordability of homes

The Group's three distinctive house building brands; Persimmon, Charles Church and Westbury Partnerships enable us to provide desirable homes at a range of price points for our customers. In addition to developing single branded sites, the Group also benefits from providing multiple brands on some of our larger sites. This creates the opportunity for the Group to secure the benefits of more efficient site and back office operations, resulting in performance improvements being captured across the business from Group wide controls, continuity of build programmes, site resourcing and customer care performance through to health and safety compliance.

Our brands' performance

Persimmon

The Persimmon brand delivers traditional family homes at affordable prices to the private owner occupier market. The brand delivered 11,327 homes at an average selling price of £230,036 (2018: £224,749), which is 22% lower than the UK national average of £295,160[1] affirming the Group's commitment to delivering affordable housing for its customers.

The brand's volumes have dropped by 5% (620 homes) and revenues have fallen by 3% to £2,605.6m compared to 2018 reflecting the Group's drive to implement its customer care improvement plan and put customers before volume.

Persimmon's highest volumes were generated in our Shires and Midlands regional markets, which legally completed 1,855 and 1,786 new homes respectively.

Our Persimmon northern regional markets secured 58% of the brand's legal completions (6,521 homes) (2018: 56% with 6,717 homes). Persimmon's sales in these more northern markets generated 51% of the brand's revenues with an average selling price for the year of £204,671 (2018: £197,245). The average selling price in this region has improved by 4% since 2018. Our sites at East Benton Rise in Tyne and Wear and The Boulevard, Cowglen, (pictured top right) just south of Glasgow city centre, contributed strong volumes in the year. Both sites have proved to provide a very popular choice for their local communities being well located close to local amenities. The developments offer a range of house types catering for first time buyers, families and those wishing to downsize.

As in 2018, Persimmon's highest average selling price of £301,966 (2018: £305,197) was in our Southern region with some higher value sites, for example at Minster on Sea in Kent.

The lowest average selling price for the brand of £176,208 (2018: £176,802 in the Wales region) was in the North West regional market. This region has seen an overall 3% fall in average selling prices with a greater proportion of smaller homes being acquired by first time buyers in this market year on year.

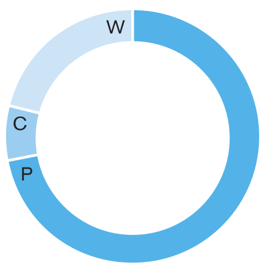
1 National average selling price for newly built homes sourced from the UK House Price Index as calculated by the Office for National Statistics from data provided by HM Land Registry.

The Group has opened seven new businesses over the last five years. These new businesses generated 21% of Persimmon's legal completions and 19% of its housing revenue during 2019. On 2 January 2019, the Group opened the 31st operating business at Harworth, near Doncaster, supporting the Group's growth in the Yorkshire region. The business has had an excellent start completing 284 Persimmon homes, 27 Charles Church homes and 39 affordable homes in the year. We will continue to invest in the Group's infrastructure and workforce to support improved quality, service and growth.

£230,036
Persimmon average selling price

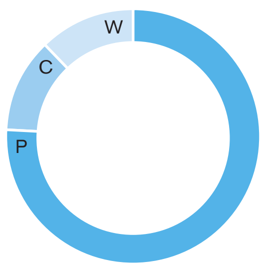
35%
Total private sales for less than £200,000

Homes sold in 2019



Persimmon	11,327
Charles Church	1,136
Westbury Partnerships	3,392

Revenue generated in 2019



Persimmon	76%
Charles Church	12%
Westbury Partnerships	12%

Providing good quality homes and customer service *continued*

"We are committed to delivering enhanced customer service and improving the aftercare we provide."

Raj Baines
Persimmon Homes
Customer Care Admin Manager

Charles Church

The Charles Church brand both complements and differentiates itself from Persimmon by offering the customer a choice of executive housing in premium locations across the UK, with larger house types with increased specification. With this market positioning Charles Church has retained its focus on delivering higher value new homes with 56 active sales outlets at the end of 2019 (2018: 61 outlets). Charles Church generated revenues of £410.3m in 2019 (2018: £495.0m) from 1,136 legal completions (2018: 1,394). The Charles Church average selling price increased by 2% to £361,132 (2018: £355,133), with 54% (2018: 59%) of its sales being completed in southern markets.

Housebuilder award

Westbury Partnerships

The Group focuses on helping to create sustainable and inclusive communities providing homes for all. Westbury Partnerships is our brand responsible for delivering new homes to our housing association partners. Westbury Partnerships plays a key part in the delivery of new homes for the benefit of lower income occupiers, offering solutions to some of the country's housing pressures.

In total, Westbury Partnership volumes of 3,392 represented 21% of the Group's legal completions during 2019 (2018: 19%). The average selling price for these homes increased by 1% to £119,166 (2018: £117,653). The Group's ambition to support the provision of housing across all tenures is demonstrated by the increase in Westbury Partnerships delivery by 284 homes year on year, representing an increase of 9% when compared to the previous year's volume (2018: 3,108).

62% of Westbury Partnerships' new homes were provided to our partners in the southern regional market (2018: 58%).

The Group works closely with local authorities and housing associations to deliver the right balance and mix of affordable housing to meet local needs. We will continue to strengthen these relationships and provide as many lower income families as possible access to the housing market in line with the aims of the National Planning Policy Framework. The Group currently has c.4,800 affordable housing units forward sold in our order book (2018: c.4,800).

One of our strategic aims is to provide housing that meets all of our customers' needs. To support this, we focus on providing homes at affordable prices. Westbury Partnerships works closely with Homes England and the Housing Agencies in Scotland and Wales to manage our relationships in association with the Help to Buy scheme in England and the similar schemes in Scotland and Wales. These schemes provide customers with greater access to the housing market as it enables them to buy a home with a smaller deposit and at lower interest rates than many other mortgage options. During 2019, the Group delivered 6,890 (2018: 7,970) new homes to customers who elected to use these Government schemes.

FibreNest

Listening to our customers, FibreNest, the Group's ultrafast, full fibre to the home broadband service was established in August 2018 to ensure Persimmon's customers have access to the 'fourth utility' in their new home from their moving in day. Our aim is to ensure that FibreNest provides ultrafast speeds at attractive prices, coupled with excellent levels of service, both during installation and for the duration of the service. To achieve this, we work with an experienced partner through a UK based call centre and skilled engineers. By the end of 2019, the service had been installed across 110 sites serving 4,679 customers with further rollouts continuing.

We are pleased that our customers have positively rated the service which is currently highly ranked amongst its peers. We will continue to support our customers with this valued service as we continue to open new developments and as our customers move into their new homes.

Creating and supporting sustainable and inclusive communities

There has been a long term imbalance between the demand for houses and their supply within the UK housebuilding industry. We believe that we play an important part in addressing some of this imbalance by providing a range of well designed, good quality homes for all at affordable prices.

"We consistently engage with local communities and always aim to deliver cohesive and sustainable neighbourhoods while fulfilling our responsibility to help meet local housing needs."

Matt Lacey
Layout Designer

It is important to our customers that their homes are part of a sustainable and inclusive community. To achieve this, we aim to build good quality affordable homes and create attractive neighbourhoods in areas where people wish to live and work. Our land acquisition process, led by the Group's highly skilled land, planning and design teams, aims to identify and acquire such sites.

For each of our developments, we proactively engage with local communities and work closely with the planning authorities to create a development that provides the appropriate levels of much needed homes to our local housing authority partners and private market housing. Our teams' local knowledge allows them to assess how we can mitigate our impact on existing communities and ensure that the neighbourhoods we create are effectively integrated. Through the planning process we aim to enhance local facilities, providing investment in local infrastructure such as transport, education, retail and recreation facilities.

All of our developments are designed to promote social inclusion, incorporating housing for families with a broad span of incomes. In 2019, we provided 3,392 homes, or £404m of housing, to housing associations and a further 197 homes, or £24m of housing, to qualifying customers using affordable Discounted Open Market Value Housing. This is housing that is sold at a discount of around 20-30% to the local market value with the discount remaining with the property in perpetuity. These homes can only be purchased by customers who meet eligibility criteria set by local councils. Overall, we provided £428m of affordable housing for lower income families in 2019 (2018: £394m).

Justine Greening (former Secretary of State for Education, above), visiting our Germany Beck site in Fulford, York. Ms Greening established the Social Mobility Pledge to which Persimmon is a signatory.

Engaging with Our Communities

We have 31 regional teams with detailed knowledge of the local communities in which they operate.

In addition to fulfilling the housing needs of these communities through delivery of new well designed good quality homes, our teams seek to support them further in a variety of ways:

- Proactive engagement and consultation throughout the planning and development process for each of our developments
- Engaging local suppliers and tradespeople and supporting the local economy
- Charitable donations to support local charities and community groups
- Engagement with local schools
- Delivering new amenities
- Improving local infrastructure

The Group strives to deliver excellence throughout the planning process and we are sensitive to the impact our developments have on our wider society. This ensures that our developments are fully integrated into existing infrastructure as well as delivering improvements that benefit local residents. Under the planning process, we invest in local communities in many forms, such as parks and open space; education provision; community buildings and roads and other infrastructure, either through direct construction or through financial contributions to local authorities. During 2019 we contributed £94m to local communities (2018: £80m) through planning contributions to local authorities. Of the money contributed, £40m related to education provision.

Joining forces with Team GB!

We are proud to be an official sponsor of Team GB as they prepare for Tokyo 2020 and beyond. Team GB work with the Persimmon Charitable Foundation on our Building Futures Campaign.

In addition, Olympic athletes joined us for a series of Team GB inspired sports days across 9 schools in our communities. The sporting stars inspired school children to take part and achieve sporting success.

Thousands of Team GB sports day packs were also sent to infant and primary schools that applied nationwide, to help pupils celebrate the Olympic values of respect, excellence and friendship.

TEAM GB | Persimmon
Together, we make a home.
OFFICIAL PARTNER

Creating and supporting sustainable and inclusive communities *continued*

Funding good causes throughout the UK

The Persimmon Charitable Foundation made donations of £2.3m, to c.900 local charities and community groups in 2019. The Foundation ran two campaigns during the year, our successful 'Community Champions' campaign, aimed at local charity and community groups, and our 'Building Futures' campaign, launched in association with Team GB, aimed at supporting local groups working with children and young people.

Both campaigns are run at a regional level across each of the Group's 31 operating businesses supporting local, grass root initiatives in the communities in which we build.

The 'Community Champions' campaign was launched in 2015. Our 31 operating businesses and our head office make donations of up to £1,000 every month to each of two local good causes, to match the organisation's own fund raising efforts. During 2019, Community Champions donated c.£740,000 to 770 local groups.

The 'Building Futures' campaign was launched in January 2019 and donated £1,072,000 in 2019. The campaign was aimed solely at community projects for under 18 year olds across three categories; Sports, Education and Arts, and Health. This included 127 £1,000 donations to improve the delivery of vital grass roots community projects benefiting children and young people.

In addition, the campaign ran a competition and 96 good causes made it through to the finals where the winners of each of our categories were determined by a public vote. Their success was celebrated at a gala dinner held at York Racecourse. The dinner was generously supported by a number of the Group's major suppliers and the evening itself raised c.£21,000 for the Charitable Foundation's funds.

The Young People's Counselling Service for health, Swindon Children's Scrapstore for sport and Portsmouth Down Syndrome Association for education & arts won the most votes in their categories and were each awarded £100,000.

Toy Like Me for health, Leeds Rowing Club for sport and UK Astronomy for education & arts were each awarded £50,000 as second place winners.

Butterwick Hospice Kidz Club for health, Andover BMX Club for sport and Wargrave House for education & arts were each awarded £20,000 as third place winners.

The remaining 87 finalists received a donation of £5,000 each.

Due to their success, the Foundation will be continuing both its 'Community Champions' and 'Building Futures' campaigns throughout 2020.

The Foundation also made donations to support the homeless. It donated £400,000 to Crisis, a national charity working to end homelessness, and has pledged a total of £200,000 (to be donated in four stages) to SASH, a York based charity aiming to prevent homelessness in young people aged 16 to 25 in North and East Yorkshire.

The Foundation also donated £50,000 to Dumfries House and their sister charity The Prince's Trust, to support programmes designed to support young people aged 16 to 24 into employment, education or training, c.£10,000 to the HBF Lighthouse Club, a mental health charity and at the end of the year gave £10,000 to support the Doncaster Flood Victims.

Maintaining a diverse, talented, engaged and motivated workforce

A large part of the success of our business is due to the skills, hard work and commitment of our workforce. It is important we provide a working environment that is safe, inclusive, supportive and engaging to ensure we have access to and retain the talent we need to focus on our customers and deliver value to our wider society.

The Group has a supportive and hard working culture where we put our customers first. Our people are encouraged to contribute new ideas in an open environment to enhance Group wide processes.

The Group's average number of employees increased by 6% in 2019 to 5,097 (2018: 4,809).

"I am enjoying my apprenticeship with Persimmon. Working for the company offers me an excellent opportunity to learn a trade and progress."

William Sparey
Apprentice Carpenter

We provide our employees with rewarding and challenging careers with clear pathways for progression. In 2019, we promoted 374 people within the business. We devote considerable time to succession planning, ensuring that we have the right people to step up as and when required. As a result, of our current Managing Directors, c.60% have been promoted from within, which is a similar percentage to our operational Directors and Heads of Department. We also recognise the benefit of new talent recruited into our business at more senior levels, appointing 169 new Persimmon employees into senior positions within the Group in 2019.

Training

Over the last two years, the Group has invested significantly in its Group Training Department. During 2019, the Group provided c.14,300 training days (excluding apprenticeships) to our employees and construction workforce (2018: c.11,000). This investment has enabled us to enhance the level of support and guidance provided to our employees and embed a culture of focusing on our customers.

In line with the recommendations from the Review, as the Persimmon Way is rolled out across the Group through 2020, the Construction Working Group will develop a full range of mandatory training modules to be delivered to all relevant employees by the Group Training Department.

The Group is committed to addressing the skills shortage within the housebuilding industry and securing talent for the future. Approximately 15% of our team participates in a formal training programme.

We currently have c.450 apprentices within the Group learning traditional craft skills such as bricklaying and joinery, which is among the largest commitment to apprentice training in the housebuilding industry. We also have c.80 sales trainees and a further c.220 colleagues training in disciplines such as accounting, quantity surveying, planning and construction.

In addition, we continue to support the Home Building Skills Partnership, a joint initiative of the Construction Industry Training Board and the HBF aimed at addressing the skills shortage within the industry by attracting new entrants to the home building sector, providing focused training to develop the workforce, and fostering closer working relations between developers and their supply chains.

Promoting diversity

At 31 December 2019, the number of people we employed increased by 7% to 5,285 (2018: 4,943), of which 1,344 (25%) were female and 3,941 (75%) were male (2018: 1,238 female (25%); 3,705 made (75%)). At 31 December 2019, we had three female and five male directors on the Company's Board and 40 female and 153 male colleagues in our 193 strong senior management team.

The median Gender Pay Gap in 2019 for the Group was 12.4% (2018: 8.0%). Like much of our industry our median Gender Pay Gap, which compares favourably with the Office of National Statistics figures for 2019 of 17.3% (2018: 17.8%), is driven by the shape of our workforce with a higher proportion of men in skilled construction roles (such as quantity surveying and site management), the market for which is competitive.

Maintaining a diverse, talented, engaged and motivated workforce *continued*

The Group has a diversity policy and is committed to reducing the gender pay gap and increasing the number of women in its workforce and senior management team. To address this, the Board established a Gender Diversity Panel in 2018 to consider and suggest policy amendments and initiatives to improve the Group's gender diversity. The panel members can draw upon their experiences, acquired over 75 years' combined service with the business, to identify how Persimmon can improve its performance in this important area. The Panel recommended a revised flexible working policy for office based staff, which was introduced in February 2019. Enhanced maternity pay, aiming to encourage women back to work after having a baby, has also recently been introduced. The Group has adopted the Construction Ambassadors programme involving colleagues visiting schools and colleges to outline the training and career opportunities in the housebuilding sector, with a particular focus on roles for women. The Group also works closely with 'Women into Construction' an independent organisation that promotes gender equality in our industry.

Further information can be found in our Gender Pay Gap report on our website, www.persimmonhomes.com/corporate

Young Achievers of the Year Awards

The Young Achievers of the Year Awards were established in 2014 to recognise the Group's young talent. There are four awards available and nominations for these awards are made by the Group's operating businesses with the finalists in each category attending a special awards ceremony, attended by Group Chief Executive Dave Jenkinson.

2019's Young Achiever of the Year was Ryan Sims from our West Wales business (second from right). Ryan joined Persimmon as a trainee assistant site manager at the age of 16. He was promoted to assistant site manager in 2012 and in early 2019 became responsible for the successful Glen Gardens site in Bridgend.

Liam Clarke (second from left), an assistant quantity surveyor in our North Scotland business won the Duncan Davidson award, which recognises entrepreneurial flair and spirit.

Other award winners were:

Sales Trainee of the Year – Samantha Meaden, Persimmon Homes South West (far left); and,

Trade Apprentice of the Year – Deri Jones, Persimmon Homes East Wales (centre).

Business Disability Forum

In 2019 the Group joined the Business Disability Forum which promotes best practice in order to help its members manage disability issues with employees, customers and other stakeholders.

Also in 2019, Persimmon signed up to the Social Mobility Pledge which encourages businesses to boost social mobility in the UK. At a practical level, this commits Persimmon to:

- Partnering with schools or colleges to provide coaching through quality careers advice, enrichment experience and mentoring to people from disadvantaged backgrounds or circumstances.
- Providing structured work experience and apprenticeship opportunities to people from disadvantaged backgrounds or circumstances.
- Adopting open employee recruitment practices which promote a level playing field for people from disadvantaged backgrounds or circumstances.

The Pledge team have chosen Persimmon to lead its work within the housebuilding sector, reflecting the valuable work the Group has been doing in this area.

The 5% Club

The Group is a member of The 5% Club, an employer organisation creating momentum behind the recruitment of apprentices, sponsored students and graduates into the workforce, demonstrating that young people with clear ambitions have access to an excellent career with the Group.

Persimmon is part of the HBF Diversity and Inclusion Group with the aim of developing a more diverse and inclusive workforce across the industry.

We are also a member of the Apprenticeship Diversity Champions Network (ADCN), part of the National Apprenticeships Service to demonstrate our open and inclusive culture in recruitment and employment practices.

Employee Engagement

The Group encourages feedback and new ideas from its staff to enhance its culture, systems and processes and in March 2019, an Employee Engagement Panel was established. The Panel consists of twelve voluntary members of staff, at different levels of seniority, from a wide cross section of disciplines across the business, including the Group Human Resources Director, who chairs the Panel.

The Panel enables the views of employees based on our sites, in our manufacturing operations and in our offices to be represented. The Panel met three times in 2019, with main Board Directors attending parts of the meeting. In October 2019 the Panel presented their views to the Corporate Responsibility Committee and to the Board in December 2019.

To further enhance the Group's formal engagement with its employees, the Group recently partnered with Harris Interactive to undertake Employee Engagement Surveys, the first of which was rolled out in January 2020. The initial results showed that 96% of colleagues understood how their individual efforts contributed to Persimmon's ability to meet its objectives and demonstrated very strong employee engagement (the measure of overall satisfaction) with an employee engagement index score of 80%.

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

In addition, we publish an employee newsletter 'HQ' regularly throughout the year which includes a formal facility for employees to provide feedback for further consideration by the Group's Corporate Responsibility Committee.

Wellbeing at work

Poor mental health in the construction industry is an issue that we are committed to addressing. As a member of the HBF Diversity and Inclusion Group, we are actively participating in their initiative to raise awareness of mental health in the construction industry. We have signed up to the Building Mental Health Charter, led by the Lighthouse Club, a charity that provides financial and emotional support to the construction community.

Across the Group, we are undertaking a comprehensive mental health training and awareness programme. We have trained three members of our Group Training Department to become accredited mental health first aid trainers. In 2019, they delivered mental health awareness courses in each of our 31 operating businesses and to date have trained our first 22 mental health first aiders. By the end of 2020 we aim to have c.75 mental health first aiders across the Group. Our first aiders are the first point of contact for anyone who may be suffering from stress, anxiety or depression. Their role is to listen and point people in the right direction to receive the appropriate professional help.

Voluntary Living Wage

The Group has voluntarily adopted the payment criteria of the Living Wage Foundation. The Real Living Wage is set by the Living Wage Foundation annually and is based on the cost of living. In line with the Foundation's guidance, we have increased the pay rate to £9.30 per hour, and £10.75 per hour within the London region, from 1 January 2020.

Human Rights and Anti Corruption

We demand the appropriate levels of conduct from all of our stakeholders, including our employees in all of our operations and do not engage in business practices that may be considered unethical or corrupt. We value our reputation for ethical behaviour, integrity and reliability. We have Human Rights and Anti-Bribery policies, a code of Ethics and a Modern Slavery Statement, which are all available on our website at www.persimmonhomes.com/corporate.

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

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

We continue to take our role in combatting modern slavery and human trafficking seriously, and have implemented a number of initiatives within the year to strengthen support in this area. This has included joining the Gangmaster and Labour Abuse Authority (GLAA) 'Construction Protocol' to access and contribute to industry good practice in combating modern slavery. We have also rolled out a programme of modern slavery training, including a section within our 'Site Manager Essentials' course and a GLAA developed 'Toolbox Talk' for other site based staff. Further detail on these measures are set out in detail within our 2019 Modern Slavery Statement on our website at www.persimmonhomes.com/corporate.

Employees are given details of the Group's Code of Ethics and policies on Anti-Bribery and the Prevention of Criminal Facilitation of Tax Evasion. Management reinforce the adherence to our policies and procedures. In addition, we have whistleblowing facilities to ensure employees and others can raise concerns confidentially. During 2019 we ran a campaign to remind employees of the whistleblowing facility. Any whistleblowing reports are investigated by our Group Internal Audit department and, if necessary, we take appropriate action against any individuals or parties involved in bribery or corruption.

Further detail on these measures are set out in within our Human Rights and Anti-Bribery policies, Code of Ethics and our Modern Slavery Statement on our website at
www.persimmonhomes.com/corporate

Providing a sustainable supply of high quality land

The Group's land buying and management strategy puts the needs of our customers and local government at the centre of its land investment. In order to do this, we identify, plan and acquire land in sustainable locations where people wish to live and work across the UK. This requires detailed consideration of a wide range of factors, including assessments of economic and population growth in particular areas, the potential risks associated with climate change and a thorough understanding of the short and long term needs and aspirations of the local communities we wish to serve.

"Our dedicated land planning and design teams have in depth local knowledge, enabling us to invest in appropriate sites to deliver much needed housing supply."

Nick Evans
Land Director

Each of our 31 operating businesses has an in house land, planning and design team supported by a Group Planning Department. This provides the Group with in depth local knowledge and good, established relationships with relevant stakeholders combined with the ability to share best practice.

We publicly consult on every site we develop, working with local planning authorities, the local community, the land owner and other stakeholders as appropriate. In doing so, we can provide the appropriate range of well designed house types and prices for each site to meet all our customers' needs driving demand for our homes and providing local communities with much needed housing supply.

We assess the significant environmental risks for each of our potential sites and conduct full environmental impact assessments for each development we acquire. This ensures that we respect the natural environment and enhance the communities for which we are delivering newly built homes.

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

Once sites have been identified, the Group is able to generate further value through innovative design, the use of our core house types, the use of modern methods of construction, introducing simplicity and economies of scale, and the creation of sustainable attractive neighbourhoods for our customers and communities.

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

The Group has robust high quality land holdings that will deliver value for the longer term. The Group is able to maintain a disciplined approach to land investment and remain selective in its land replacement activities moving forward.

Our land holdings

The Group has an excellent track record of successfully managing the promotion of land through the planning system and its subsequent acquisition. We have delivered c.113,000 homes since 2012, invested £4.3bn in new land and acquired c.143,000 plots.

At the year end the Group owned 71,942 plots of land. Within these land holdings, the Group owned 46,055 plots on sites with detailed planning consent, which are all under development. This will provide 2.9 years of forward supply at 2019 output levels. These plots will provide support to each of our regional operations as they seek to achieve a sustainable market share. The Group has also entered into conditional contracts for an additional 21,304 plots on land which we are actively promoting through the planning system.

The Group's differentiated, well balanced land holdings benefit our stakeholders for the longer term by enabling us to invest in the right land at the right time. This is reflected in our land recovery rates which were 14.0% in 2019 (2018: 14.6%). The growth in the Group's new home delivery of almost 70% since the launch of the Group's strategy in 2012, at excellent levels of return, has been enabled by the substantial investment in new land at the right time in the housing cycle.

Our brands' investment in land

During 2019, our Persimmon brand acquired 7,694 new plots of land at the end of 2019 of 65,642 plots (2018: 69,275). Of these total plots, 37,725 have an implementable detailed residential planning consent (2018: 33,992) with all sites under construction. At 2019 output levels the current land holdings represents c.2.9 years of forward supply.

Charles Church owned and controlled 10,760 plots in its forward consented land holdings at the end of 2019 (2018: 11,448). Of these 5,330 have an implementable planning consent (2018: 5,274) providing c.4.7 years of forward supply at 2019 sales volumes.

This forward supply reflects the success achieved in gaining detailed planning consents on some larger Charles Church developments, for example at Oakhurst Village in Shirley (near Solihull, Birmingham), a development of 192 new homes. This site will also deliver 50 affordable homes to our housing association partners. During the year 448 new plots were acquired by Charles Church.

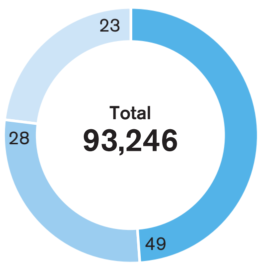
Our strategic land

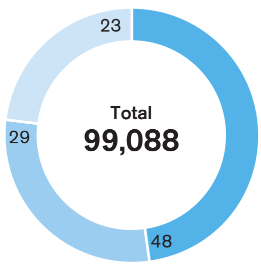
Our strategic land portfolio remains a key element of our business model and strategic objectives. Successfully promoting this land through the planning system and thereby converting plots from our strategic portfolio to deliver plots with detailed residential consent supports the Group's ability to meet the needs of our customers and local communities. During the year we acquired interests in a further c.490 acres of strategic land and we converted 4,218 plots of land from our strategic land portfolio, representing c.27% of the Group's land consumption.

We are confident that our strategic land portfolio of c.15,900 acres will, in due course, yield in excess of 100,000 forward plots for future development by the Group and will continue to support planning authorities and local communities to bring these sites through the planning system as quickly as possible, positively contributing to the Government's aim of providing 300,000 new homes by the mid-2020s.

During the year, the Group's Persimmon business enjoyed success in securing planning consents for residential development from its strategic land portfolio with 2,876 plots, across 17 sites, being delivered into its owned and under control land holdings, representing 26% of the plots consumed by legal completions in the year. A significant strategic land conversion was achieved at Monktonhall, a c.1,000 unit development near Edinburgh.

Our land bank (at 31 December)

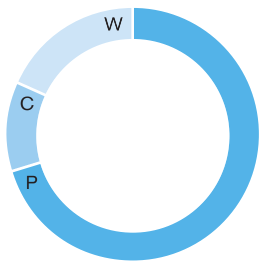




2019	
Plots with detailed planning consent	46,055
Plots proceeding to planning consent	25,887
Total owned plots	**71,942**
Plots under conditional contracts	21,304

2018	
Plots with detailed planning consent	47,305
Plots proceeding to planning consent	28,488
Total owned plots	**75,793**
Plots under conditional contracts	23,295

Our brands' land bank



Persimmon	65,642
Charles Church	10,760
Westbury Partnerships	16,844

Working safely, responsibly and efficiently

Working safely

Plan, Do, Check, Act

Ensuring the wellbeing, health and safety of our workforce, our sub-contractors, our customers and the local communities in the areas in which we build is of paramount importance to us. The Group is committed to being proactive in striving to reduce the health and safety risks associated with all the work activities the Group undertakes.

The Board ensures that the investment in Group Health and Safety resources devoted to ensuring our sites, manufacturing plants and offices remain safe and healthy environments, is appropriate to support Operational Management at Group, Regional and Operating Business level.

"We are committed to delivering safe sites for contractors, employees and homeowners. Health and Safety briefings and training are delivered regularly through our 'Toolbox Talks' sessions for site personnel and our supply chain workforce."

Abigail Bainbridge
Group Health & Safety Director

The Group's dedicated Health and Safety team under the direction of our senior management team has considerable experience in providing both a pro-active advisory, and reactive incident led, approach to identify and mitigate health and safety risk.

Pre-start and ongoing monitoring of construction activities as our sites progress is undertaken on each site by our management, based on Group standards, as they strive to maintain high levels of health and safety performance.

The Group provides extensive training to our workforce to safeguard the wellbeing of everyone that comes onto our sites, manufacturing plants or into our offices. This includes construction staff and sub-contractors, our sales teams, customers and members of the local communities surrounding our sites. Training modules comprising 'Toolbox Talks' for site personnel and our supply chain workforce are regularly conducted. They are delivered at a regional level by our Group Health and Safety department and the talks cover topics and training material set at a Group level. The topics covered are based on the results of ongoing performance monitoring performed by the Group. For example, in 2019, the Group saw an increased number of injuries on our sites caused by slips and trips, therefore in 2020 the Health and Safety department will implement a safety campaign focusing on the importance of good order on site which helps prevent these types of incidents. Toolbox Talks for specific, industry wide, high risk areas (for example working at height) will be delivered to all site personnel, with the aid of centrally produced safety films on these topics. We continue to work hard to reduce the level of incidents on site.

The Group's Health and Safety Policy and management systems detail roles and responsibilities for our employees and provide additional guidance and advice on how to meet the duties allocated to them.

In addition to the training and planning that is undertaken, both our Group Health and Safety Department and our operational management teams carry out regular monitoring and review of all our work activities to maintain the required standards detailed in the Group Health and Safety Policy. In 2019, the Group Health and Safety department undertook 6,233 pro-active site inspections (2018: 5,971).

During 2019, the reported number of construction work related incidents in our housebuilding operations to the Health and Safety Executive (HSE) under the Reporting of Incidents, Diseases and Dangerous Occurrences Regulations (RIDDOR) (including, where relevant, those reported by our contractors) was 53 (2018: 45). 39 RIDDORs were reported by the Group (2018: 37) and none have led to enforcement action by the HSE. The level of build per incident was 299 legal completions per incident (2018: 365). The incidents per thousand workers also increased slightly compared to last year at 3.8 incidents per thousand workers (2018: 3.22). Our Group Annual Incidence Injury Rate (AIIR) for 2019 was 2.8 per 1,000 workers, in line with the 'Home Builder' AIIR and lower than the construction industry AIIR. In our manufacturing operations we reported 2 RIDDORs in 2019 (2018: 3).

Working responsibly

Sustainability

Ensuring that we operate in a responsible way, and that we build homes and communities that are both efficient and sustainable, is fundamental to the continued success of our business.

"Our commitment is to delivering high quality design and sustainable developments where people are proud to live and are happy to call their home."

Alastair Stewart
Planning Manager

The Group's Sustainability Policy outlines five guiding principles that shape our approach to sustainability and how we undertake our activities in a responsible way.

Our five principles are:

- Our Customers
- Our People
- Our Wellbeing
- Our Environment
- Our Communities

By organising our sustainability strategy according to these five principles, we ensure that our work addresses the requirements of each of our key stakeholder groups and is closely linked to our strategic objectives (see page 14). We have appointed a Group Sustainability Manager who will be responsible for further embedding our five principles into our core business operations with our operational management teams.

The Group's Sustainability Policy is available at
www.persimmonhomes.com/corporate

United Nations Sustainable Development Goals

The UN Sustainable Development Goals (UN SDGs) provide a common sustainability framework for countries and businesses. As a responsible business, we continue to recognise the importance of contributing to wider society.

During the year, the Corporate Responsibility Committee reviewed each of the 17 UN SDGs and their related targets to identify areas where we believe we can make a positive contribution to these common aims and to ensure our ongoing strategic objectives are aligned.

The Committee identified 6 Sustainable Development Goals that fell into this category.

Working safely, responsibly and efficiently *continued*

SDG	Related strategic objectives	Contribution through our strategic objectives
8 DECENT WORK AND ECONOMIC GROWTH	**Providing good quality homes and customer service** **Maintaining a diverse, skilled, talented and engaged workforce** **Working safely, responsibly and efficiently** **Maintaining financial strength**	▪ Contributed £3.6bn to UK GDP in 2019 (2018: £3.7bn) and £16.9bn in the last five years. ▪ Support approximately 20,000 jobs within the construction industry and a further c.30,000 jobs within our supply chain. ▪ Voluntarily adopted the payment criteria of the Living Wage Foundation for our employees. ▪ Invest in training and career development, providing c.14,300 training days to employees in 2019. ▪ Employed c.750 trainees and apprentices in our workforce in 2019, (aligning with target 8.6). ▪ Member of the Apprenticeship Diversity Champions Network (ADCN), part of the National Apprenticeships Service and, in June 2019, signed up to the Social Mobility Pledge. ▪ Maintain effective controls to mitigate the risk of modern slavery and human trafficking both in our business and in our supply chain (aligning with target 8.7).
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**Providing good quality homes and customer service** **Creating and supporting sustainable and inclusive communities** **Working safely, responsibly and efficiently**	▪ Invest in the provision of full fibre broadband for the homes we build through our FibreNest business (aligning with target 9.C). ▪ Use modern methods of construction ('MMC') in our build process. In 2019, c.82% of our homes were built using MMC methods. ▪ Invest significant funds in infrastructure and local communities, supporting economic development and wellbeing within the communities we develop (aligning with target 9.1). ▪ Contributed £94m to local communities in 2019 (2018: £80m) through planning contributions to local authorities. Of the money contributed, £40m (2018: £31.2m) related to education provision. ▪ We have established a 'low carbon home' working group to effectively plan and manage the transition to low carbon homes.
11 SUSTAINABLE CITIES AND COMMUNITIES	**Providing good quality homes and customer service** **Creating and supporting sustainable and inclusive communities**	▪ We aim to build good quality, affordable, safe homes in areas where people wish to live and work (aligning with target 11.1). ▪ In 2019 the Group's private average selling price of £241,985 was 18% lower than the UK national average.[1] ▪ During the year, we provided 3,392 affordable homes to our housing association partners. ▪ Create attractive communities on the most sustainable parcels of land with high amenity value and public open spaces (aligning with target 11.7). ▪ Invest in local infrastructure to improve community environments (see above). ▪ Design developments that mitigate risks associated with climate change and minimize their environmental impact (aligning with targets 11.6 and 11.B). ▪ Support local charities and community groups.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Working safely, responsibly and efficiently**	▪ The Group works with over 5,700 suppliers and over 6,200 subcontractors. We support c.50,000[2] jobs in our supply chain and our sites. ▪ Established Supplier Principles which govern our relationships with and expectations of each of our suppliers. ▪ All timber and timber products that we purchase via Group agreements are from suppliers with FSC/PEFC chain of custody certification (aligning with target 12.7). ▪ Established a Waste and Resource Management Policy raising awareness of waste management and resource use issues across the Group's operating businesses. This includes the provision of specific training for employees with relevant responsibilities (aligning with targets 12.2 and 12.5). ▪ During the year the percentage of waste recycled increased to 97%.
13 CLIMATE ACTION	**Creating and supporting sustainable and inclusive communities**	▪ We seek to mitigate the Group's impact on climate change by monitoring and reducing the production of greenhouse gases from our operations and by systematically considering climate change impacts across each of our developments. ▪ Currently our developments would typically accommodate flood events which have a frequency of 1 in 100 years (aligning with target 13.1). ▪ Established a cross function working group to identify the most sustainable, cost effective and efficient method of developing a net zero carbon home in line with the proposed changes in Building Regulations (aligning with target 13.2).
15 LIFE ON LAND	**Creating and supporting sustainable and inclusive communities**	▪ We aim to protect and enhance the natural environment, including terrestrial and water eco systems (aligning with target 15.1). ▪ We ensure our developments are located in the most sustainable areas, protecting woodland and forest areas (aligning with target 15.2). ▪ As noted above, all timber and timber products that we purchase via Group agreements are from suppliers with FSC/PEFC chain of custody certification (aligning with target 15.2). ▪ c.750 acres[2] of public open space and gardens provided for families in 2019. ▪ c.146,000 trees planted in 2019.

1 Source: Office of National Statistics from data provided by HM Land Registry.
2 Estimated using an economic toolkit.

Minimising our environmental impact

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

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

"It is important that we forge relationships with key stakeholders and work closely with the planning authorities so that we can move our sites towards timely adoption."

Charlotte Gilham
Technical Department Trainee

The environmental impact of our developments

We endeavour to:

- Make the most efficient use of land, including the regeneration of redundant or contaminated land; and
- Protect and enhance the natural habitat and local surroundings throughout the development process

Extract from our Environment Policy available at
www.persimmonhomes.com/corporate/corporate-responsibility/policies

Persimmon always seeks to develop in the most sustainable areas. We aim to develop on brownfield sites where possible. Where local housing demand cannot be met through the use of solely brownfield sites, we develop only on the most sustainable greenfield sites.

The Group conducts full environmental impact assessments for each development we acquire ensuring that we respect the natural environment and enhance the communities for which we are delivering newly built homes.

In 2019 we incorporated c.750[1] acres of public open space and gardens in our developments, seen as a key element in supporting the health and wellbeing of the communities we develop.

On all of our sites, prior to commencing any work, we undertake detailed studies to identify any possible impacts on biodiversity within both the site itself and in surrounding areas. We respond to the results of these studies by engaging with local planning authorities and communities to ensure that wildlife habitats and wider ecological networks are safeguarded.

1 Estimated using an economic toolkit.

Stone Cross Manor

Our Charles Church business won the title of Best Refurbishment Project at the Housebuilder Awards 2019 for its work at Stone Cross Manor in Ulverston. The Grade II listed, previously derelict, building was developed by Charles Church in conjunction with a range of specialist craftsmen to create a collection of 19 contemporary apartments.

winner of housebuilder awards 2019

Working safely, responsibly and efficiently *continued*

The environmental impact of our homes

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

Fabric first approach

All of our homes are designed to have good levels of energy efficiency. We harness the benefits of good design and improvements in materials and building techniques, to build homes to high sustainability standards. The average Standard Assessment Procedure (SAP) rating of our new homes is 84, which is around 40% more energy efficient than the existing housing stock, which has an average SAP rating of around 60. The use of Space4's timber frame build system is one way we help to ensure high levels of insulation and air tightness resulting in the homes built requiring less heating while also improving heat retention.

On 1 October 2019, the Government set out its plans for the 'Future Homes Standard' including proposed options to increase the energy efficiency requirements for new homes in 2020 as a 'stepping stone' to achieving the new standard. The Future Homes Standard will require new build homes to be future proofed with low carbon heating and world leading levels of energy efficiency; it will be introduced by 2025. As explained on page 26, the Group has established a 'low carbon homes' working group to effectively plan and manage the transition to low carbon homes.

The environmental impact of our operations

We recognise our responsibility to mitigate the impact of our operations on climate change. We remain focused on reducing the level of greenhouse gas emissions from our operations, on a like for like basis. We continue to review our processes to identify areas where emissions can be reduced and to embed sustainable practices. The appointment of senior operational management to oversee the Group's Corporate Responsibility Committee and the recruitment of a Group Sustainability Manager will bring further focus to this aim.

A significant proportion of our Scope 1 emissions comes from diesel consumed during the development of our sites to power on site generators and our plant and equipment. We actively monitor each site's diesel usage, secure faster connection of new homes to the National Grid (thereby reducing the need for diesel to power on-site generators) and replace old plant and equipment with newer, more fuel-efficient alternatives. During 2019, all of the Group's owned JCB machines were fitted with a diagnostic reporting tool which monitors the efficiency of each machine. These reports are reviewed on a routine basis as part of the Group's regular monitoring of on site costs. During 2020, we will aim to identify further operational efficiencies.

Greenhouse Gas Emissions

tonnes CO_2e	**2019**	2018
Scope 1 emissions from gas, transport and construction site fuel use	**30,797**	35,450
Scope 2 emissions from electricity use	**3,209**	2,950
Total greenhouse gas emissions	**34,006**	38,400
Greenhouse gas emissions per home sold	**2.14**	2.33

Methodology

Our Scope 1 and Scope 2 greenhouse gas emissions data for 2019 has been externally verified to a limited level of assurance by Bureau Veritas. To calculate this information we collate data from across the Group and from our suppliers to identify the amount of energy used in our operations. Where actual emissions for the financial year are not available by the reporting date, then the Group applies the use of estimates for the last one to two months of the period. Where actual emissions data from energy consumption is not available, the Group calculates an average energy consumption for its offices, showhomes, plots and site cabinets and extrapolates this across the actual population. We do not consider refrigerant losses on our air conditioning units to be material and as such these are not reported in our emissions data. For business travel, the Group analyses fuel card usage and expense claims to estimate the level of scope 1 emissions. Estimates are based on a representative sample of company car users and extrapolated across the actual population. Where emissions for the period that cover the financial year are not available, the Group pro-rates for business mileage. For site diesel, usage is based on the actual cost for the financial period and an average cost per litre for the year. Greenhouse gas (GHG) emissions are reported in line with the UK Government's Environmental Reporting Guidelines, including mandatory GHG reporting guidance.

We have again participated in the CDP climate survey, alongside many of the world's largest companies. To do this, we supply information on climate risks and our low carbon opportunities. Our participation demonstrates the importance we attach to the challenges posed by climate change and how we are addressing these issues, both at a strategic and operational level. In 2019 we maintained our rating at C (Awareness).

Off-site production facilities

The Group has invested in a Brickworks factory, manufacturing concrete bricks and a Tileworks factory bringing the production and supply of the majority of these key materials in house. The Brickworks factory became fully operational in 2018 and the Tileworks factory is expected to provide roof tiles to sites during the spring of 2020. The increased control this gives us over our supply chain results in cost efficiencies and enhanced sustainability.

In addition to improved sustainability, the manufacture and use of concrete bricks generate significant savings in greenhouse gas emissions when compared to the production of clay bricks using natural gas fired kilns. Each tonne of concrete bricks produces 100 kg of CO_2e less than the same quantity of clay bricks during the manufacturing process. Additionally, concrete is an absorber of carbon dioxide and these bricks are fully recyclable.

Our Waste and Resource Management Policy is available at
www.persimmonhomes.com/corporate

The Group's Climate Change Position Statement is available at
www.persimmonhomes.com/corporate

Waste generated

During 2019 the percentage of waste we recycled increased to 97% (2018: 96%). The amount of waste per home increased to 7.44 tonnes (2018: 6.73 tonnes) reflecting the increased investment in work in progress (discussed on page 32) and the lower number of homes sold in 2019. To monitor and control our waste management our operating businesses are also using smaller skips and are now producing league tables for skip usage on sites in their region. We also require them to improve the segregation of waste on our sites in order that we have a better understanding of the type of waste we are producing so that it is more efficiently controlled. We have continued to recycle brick and block waste on site. This brick and block waste is crushed for re-use on site, for example in piling platforms and scaffold bases, which not only reduces the amount of waste we send to landfill, but also reduces our requirement for third party aggregates.

Climate Change and related risk

As one of the UK's leading housebuilders we acknowledge our role in minimising our contribution to climate change, through our own operations, our supply chain and by striving to ensure that the homes and communities we build are sustainable and inherently energy efficient.

The Group has reviewed the disclosure recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We support the Task Force's aims and will seek to increase our disclosures in line with its recommendations. Our approach is outlined in the table below.

Managing climate change related risk

Governance	The Board has overall responsibility for the management of risks and opportunities arising as a result of climate change. Climate change has been identified as a principal risk for the Group. The Group has developed a climate change risk register. This was formally reviewed by the Risk Committee in December 2019 and will be regularly reviewed in line with all of the Group's existing risk registers (see page 61). In addition, the Corporate Responsibility Committee, which was chaired by Marion Sears, a Non-Executive Director, during 2019, monitors and reviews the Group's response to climate change and reports its findings and recommendations to the Board. The Committee meets three times a year and has a wide cross section of members from across the Group's disciplines. It receives external expert advice as necessary. A senior Executive Director has recently been appointed to the Committee, who is directly responsible for overseeing and executing the decisions of the Committee at a Group and operational level. This, together with the appointment of a Group Sustainability Manager, will bring increased focus to the risks and opportunities surrounding climate change.
Strategy	The Board monitors the impact of climate change risk and opportunities on its strategy and business model. It considers the impact over the short (0 to 5 years), medium (6 – 10years) and long (11 – 100 years) term. In the short term (0 – 5 years), we consider the material risk of climate change to be in relation to the transition to a low carbon economy through changing building regulations. On 1 October 2019, the Government set out its plans for the 'Future Homes Standard' including proposed options to increase the energy efficiency requirements for new homes in 2020 as a 'stepping stone' to achieving the new standard. The Future Homes Standard will require new build homes to be future-proofed with low carbon heating and world-leading levels of energy efficiency; it will be introduced by 2025. The industry is currently considering the likely impact of these new regulations. Their implementation may lead to constrained land supply, increased planning delays, increased cost and pressure on materials and require the use of new technology and skills. The physical risks associated with climate change for example, changes in weather patterns and the frequency of extreme weather events, particularly storms and flooding, may increase the likelihood of disruption to the construction process. The availability of mortgages and property insurance may reduce should financial institutions consider the possible impacts relating to climate change. The business considers these risks to be longer term risks. The change in regulations may also in fact be an opportunity resulting from increased demand for low carbon solutions from our customers. Opportunities may also arise from the reduction in operational costs as a result of reducing carbon emissions from our businesses.
Risk management	The potential impacts of climate change and how best to address them are systematically considered during each stage of a site's development. The Group works closely with planning authorities and other statutory bodies to identify and implement the most effective counter-measures that mitigate the effects climate change may have on our sites. For example, currently our developments would typically accommodate flood events which have a frequency of 1 in 100 years to address the risks caused by changes in weather patterns. As noted on page 52, the homes we build are designed to have good levels of energy efficiency. Our fabric first solutions provide a good level of insulation and air tightness and we use design techniques and improvements in materials to deliver energy efficient homes for our customers. During the year, the Group established a 'low carbon homes' working group to effectively plan and manage the transition to low carbon homes. The working group is working to identify the most efficient, cost effective way of developing a low carbon home that can be built at scale, by reviewing fabric, and heating system, solutions. The working group will also be considering the ongoing running cost of the homes we build to ensure that our customers are provided with sustainable solutions. The working group will develop and build a 'pilot' low carbon home over the next 12 months and will identify a development where the homes will be 'pre-enabled' for low carbon solutions (e.g. solar panels, EV charging points, alternative sustainable heating solutions) to identify best case solutions and engage with customer demand for these technologies. The working group meets regularly and reports to the Chief Executive. The Group is also proactively engaging with the housing industry and Government to identify effective cohesive solutions to meet the requirements of the Future Homes Standard. The development of a formal climate change risk register ensures that the management and mitigation of the risk is embedded within the Group's risk management process (see page 94). The Group, in conjunction with external experts, is also developing meaningful scenario based analysis to enable it to more effectively identify, assess and measure the impact of climate change related risk. We expect to report on the results of this analysis in next year's Strategic Report.
Metrics and targets	The Group monitors its scope 1 and scope 2 Green House Gas Emissions. It has a target of reducing the intensity of these emissions by 10% from 2017 to 2026 on a like for like basis. During 2020, the Group will review this target to determine how it aligns with the latest climate science. We participate in the CDP climate survey and we maintained our rating for 2019 at C (Awareness).

Working safely, responsibly and efficiently *continued*

Working efficiently

Off-site manufacturing

We are committed to innovation and our off-site manufacturing facilities are an important differentiator for the Group. These facilities increase our control over the production, quality and supply of key housebuilding materials. They assist the Group in securing the supply of some key materials which enhances the Group's sustainability and increases our resilience at times when the availability of these key materials becomes constrained. They also enable the Group to manage its cost base more effectively.

"Space4 helps deliver efficient build programmes using the most up to date methods of construction. Our focus is on improving efficiency."

Gareth Wicks
Space4

Space4

The Government endorsed the Housing, Communities and Local Government Committee's recommendations (published in July 2019) to increase the use of modern methods of construction to assist in achieving their housing targets of constructing 300,000 homes per year by the mid 2020s.

The Group's Space4 business, based in Castle Bromwich near Birmingham, is the UK's pre-eminent timber frame manufacturing facility. It produces a 'fabric first' solution to the construction of new homes using off-site manufacturing techniques to produce timber frames, highly insulated wall panels and roof cassettes based on our standard core house types. This 'modern method of construction' delivers increased site production (reducing time to build the 'superstructure' of a home by almost two thirds) and eases the requirement for some traditional skills on site. This improves the efficiency of build programmes and reduces reliance on constrained skills.

The 'fabric first' solution delivers high levels of thermal efficiency for the new homes built. The benefits of this will assist the Group in achieving the Government's proposed Future Homes Standard which will require new build homes to be future-proofed with low carbon heating and world leading levels of energy efficiency; it will be introduced by 2025.

Space4 employs approximately 140 people at its factory and has the capacity to be able to supply up to c.9,500 units per year, consisting of c.7,750 timber frames and c.1,750 'room in the roof' systems.

During 2019 Space4 delivered c.6,900 timber frame house kits and insulated roof systems to the Group's housebuilding businesses. It has made an important contribution to the growth of the Group, supporting the delivery of c.43,000 new homes to the market since 2012.

Brickworks

The Group's Brickwork factory, based at Harworth near Doncaster, has been fully operational throughout 2019. The factory has the capacity to produce c.80m bricks annually (approximately two thirds of the Group's brick requirements). During the year, the facility provided c.50m bricks (2018: 30m) to c.180 sites across the Group representing 41% of the Group's requirements. Output is expected to increase further in 2020 to c.60m bricks.

The factory, sited at Harworth near Doncaster, is well situated for both inbound raw materials and outbound supplies. It has good access to the motorway network supporting efficient logistics for delivery to sites across the Group. Manufacturing our own concrete bricks provides us with certainty of source of raw materials and timing, cost and quality of the supplies. The plant and manufacturing process is highly automated and very durable with low maintenance requirements.

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

Tileworks

The Group commenced construction of its own concrete roof tile manufacturing plant in August 2018, again with the aim of securing the supply and quality of this key material element. The factory is located adjacent to the Group's Brickworks sharing common infrastructure. The Tileworks factory aims to supply approximately two thirds of the Group's requirements for roof tiles across the UK, and plans to commence deliveries to site in spring 2020.

Engaging with our supply chain

We recognise the importance of maintaining an effective and engaged supply chain in delivering our strategic objectives. We engage regularly with our suppliers and sub-contractors focusing on operational matters and their wellbeing. The health and safety of our sub-contractors is extremely important to us and as noted on page 46, they take part in regular 'Toolbox Talks' covering health and safety aspects on our sites. We also continue to take our role in combatting modern slavery and human trafficking seriously, and have implemented a number of initiatives within the year to strengthen support in this area. This has included joining the Gangmaster and Labour Abuse Authority (GLAA) 'Construction Protocol' to access and contribute to industry good practice in combatting modern slavery.

The Group has a centralised procurement department which engages regularly with our main suppliers, many of whom we hold strong, long standing relationships with. This department seeks to secure Group deals covering all major elements of our construction requirements. This helps the Group establish consistent standards of quality, supply and cost of materials and provides our suppliers with certainty of volume and revenues. In addition, our operating businesses work closely with regional suppliers to secure locally sourced materials. Local suppliers benefit from the Group providing them with consistent order volumes which help sustain their businesses and strengthen our supply chain. The Group works with over 5,700 suppliers and is proud to support c.30,000[1] jobs in its supply chain.

Our regional offices engage with a large number of local sub-contractors in the construction of our homes. This ensures that the Group secures good availability of the skilled trades that we require locally and provides our sub-contractors with continuity and consistency of work. The Group supports c.20,000[1] jobs on its sites.

1 Estimated using an economic toolkit.

Working safely, responsibly and efficiently *continued*

During the year, the Group has improved the speed with which it pays its suppliers. We are a signatory to The Prompt Payment Code (PPC). The Code sets standards for payment practices and best practice and is administered by the Chartered Institute of Credit Management on behalf of the Department for Business, Energy and Industrial Strategy (BEIS).

The Group's Supplier Principles govern our relationships with and expectations of each of our suppliers. As we purchase substantial amounts of timber, we have recently reviewed our timber sourcing policy. All timber and timber products that we purchase via Group agreements are from suppliers with FSC/PEFC chain of custody certification.

During 2020 we will be reviewing our Supplier Principles and seeking to engage further with our suppliers and identify ways we can enhance the sustainability of our supply chain.

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

The UK has now left the EU and we are in a transition period that is scheduled to end on 31 December 2020. The details of a future trading relationship with the EU remain uncertain. As such, we believe the business' key risks related to the UK's exit to be; increased uncertainty surrounding the UK economy adversely impacting consumer confidence and demand and pricing of new homes. Should the UK Government fail to achieve a trade deal within the transition period, a 'no deal' Brexit may occur. In this circumstance, additional risks will be around the availability and potential increased cost of certain supplies.

The Group's activities are focused on the regional housing markets across mainland UK, covering England, Wales and Scotland. In preparing for Brexit in prior years, we performed a review of our key supplies and our supply chain. The majority of our material supplies are sourced from within the UK. We will continue to engage with our suppliers throughout the transition period. We will monitor the availability of key suppliers, and, if necessary, will work with suppliers to increase stock holdings if pertinent to do so. Our off-site manufacturing capabilities, Space4, Brickworks and, going forward, Tileworks, will help us mitigate any potential supply disruption and material cost impacts.

Less than 2% of our directly employed workforce will be impacted by any restriction of free movement once the transition period is complete. We are working with our relevant employees and reminding them of their requirements to remain and work in the UK.

The Group is in a strong position in its markets offering affordably priced homes, with a good range and choice of affordable house types. The Group has a very strong balance sheet with a high quality land holdings, robust liquidity, substantial cash holdings and a strong forward order book. We are in a strong position to react to market conditions as events unfold.

Maintaining financial strength

The UK housing market is inherently cyclical so financial, and balance sheet, strength and resilience is key to delivering long term sustainable value for all our stakeholders and superior returns for our shareholders.

"We support the business by providing accurate, timely financial information."

Judith Potter
Regional Finance Director

We achieve this by:

- Balancing our sales and the capital intensity of the Group
- Maintaining high quality land holdings, which ensures that we can apply a disciplined approach to our investment in land at the appropriate points in the housing cycle. The Group's land replacement, acquisition and management processes are key features of our approach which focuses on fulfilling the housing needs of local communities
- Maintaining strong control and appropriate levels of work in progress across all of our developments. This supports our strategy of putting our customers before volume
- Engaging with, and supporting, our supply chain and entering into robust tendering processes to help manage our costs and the sustainability of the business (see page 53)
- Vertical integration and the manufacture of some key material elements (see page 53)
- Maintaining robust levels of governance and financial discipline across all our operational and financial processes
- Improving our build programme management through strong Group wide controls, the use of the Group's core house type portfolio across our developments and investing in technology to fully integrate our operations
- Embedding sustainable practices in the procurement and management of our working capital

Land acquisition

The Group's high quality land holdings are a key ingredient in our business model and assist in differentiating ourselves from our peers. Our land holdings allow our experienced land, planning and design teams to invest in land at the right time in the housing cycle and ensure our developments are in areas where our customers wish to live and work and address the housing needs of their community. The teams consider the environmental impacts of the development of potential replacement land and the actual and prospective conditions in both the land and sales markets. They have a clear planning and investment strategy that places our customers' and their communities' needs firmly at the centre of our land replacement activities which are designed to deliver lasting long term value for them. This ensures that planning consents are successfully achieved for sites where housing need is greatest and that will provide a wide range of the Group's well designed core house types delivering much needed housing supply.

Maintaining financial strength *continued*

Throughout the life of a development, our teams regularly review and assess the range of house types being provided and perform re-plans as necessary to ensure that our customers' needs are met. Due diligence performed before replacement land investment decisions are made and the continuous review of our new home offer ensures that we create value and maximise availability for our customers.

We have maintained our selective approach to land investment throughout 2019. We will continue to carefully monitor market conditions throughout 2020 to ensure investment is made at the right time in the housing cycle.

Our build programmes

Without compromising on build quality or customer service, we aim to achieve a cost effective and efficient build programme. The Group has invested significantly in digital technology to improve the consistency, efficiency and productivity of our detailed build programme processes. The use of our core house types assist consistency of construction and enable us to better control our development costs. Our build and direct costs are 80 basis points higher than last year at 52.9% of housing revenue (2018: 52.1% of housing revenue), in part reflecting our increased investment in our customer care improvement plan.

Maintaining robust financial discipline

The Group has a strong, well established financial control environment.

The valuation of work in progress is a key financial measure for the Group. Valuation exercises are performed on a bi-monthly basis for active sites across the Group. The results are reviewed by senior and local management with key assumptions rigorously challenged and assessed.

This framework ensures rigorous financial management and establishes a culture of careful cost control.

Cash generation

The Group's cash generation remains healthy. We effectively manage our working capital levels and have strong operational controls.

As previously noted in this report, during 2019 we have purposefully increased our investment in development work in progress in areas of high demand to improve build quality and customer service levels. Senior management carefully monitor and manage the levels of work in progress on our sites, with the aim of building good quality homes and achieving improved availability and customer service, whilst delivering appropriate risk adjusted returns.

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

Tax strategy

The Group operates an overarching principle of full compliance with current UK tax legislation and we are open and transparent in all our dealings with HMRC. We adopt a low risk approach to our tax affairs recognising our wider corporate social responsibilities and the Group pays all taxes in full and on time in accordance with tax law. The commercial activities of the Group are planned to ensure that statutory reliefs and allowances permitted by existing tax law are claimed.

How we manage risk

Our risk management framework

Persimmon operates within the UK's housing market which is subject to movements in regional and national economic conditions and political, regulatory and legislative intervention. The Group's risk management framework has been set up to identify, assess, manage and mitigate risks in a robust and timely manner enabling it to respond to changes in its environment effectively.

The Board is responsible for the Group's management and assessment of risk. Our risk management framework includes risk registers which are maintained by the Group's Internal Audit department and include issues that may occur at financial, operational, company, or strategic level. The registers include risks that may arise from each of the Group's key operational and Group processes, as well as risks to delivering our strategic objectives. The registers identity both principal and emerging risks and inform a formal risk assessment process which considers the likelihood and impact of the identified risks together with any mitigating controls that are already in place or are planned. This position is formally reviewed by the Board on an annual basis, including consideration of emerging risk areas.

Risk management framework

Identify
Areas of key focus

Mitigate
Implement control processes

Review
Performance and principal risks

Monitor
Using key risk indicators

The Board

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

Audit Committee

- Monitors the integrity of the Group's financial reporting process
- Approves the Group Internal Audit Manager's annual assurance programme
- Monitors the external audit and reviews its effectiveness

Risk Committee

- Ensures appropriate controls and procedures are in place
- Reviews operational risk performance
- Involvement in operating business management meetings and site visits
- Reviews reports from Group Internal Audit

Group Internal Audit Department

- Performs a risk based programme of internal audit project work
- Completes compliance testing and assurance
- Produces KPI data on the Group's key risks
- Maintains Group Risk Register

Operational Management

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

Identifying what may affect our performance

Persimmon's principal risks are those with the potential to have a significant impact on the delivery of Group strategy if they materialise or are managed ineffectively.

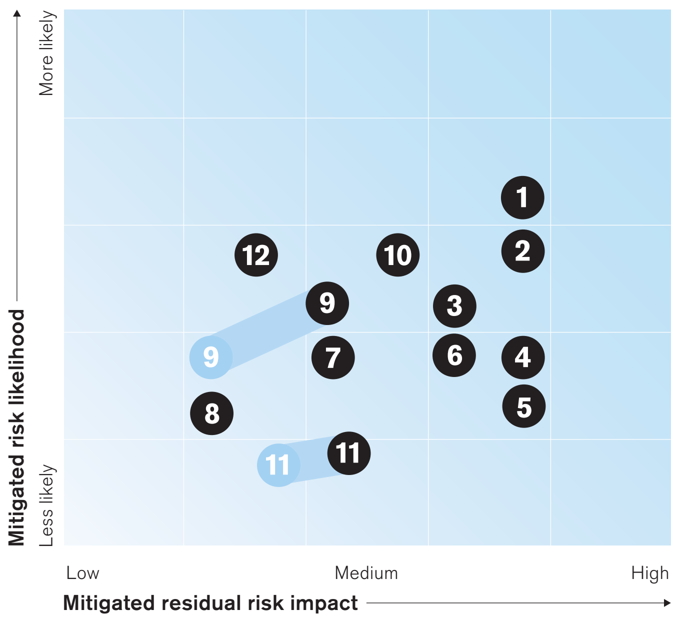
Key changes in the year

Our principal risks have been updated to reflect developments and progress towards each of the Group's six strategic priorities. Any 2019 changes in the residual impact grading of our principal risks have been explained within the table on pages 58 to 63.

Group Principal Risks

1. UK's exit from the EU
2. National and regional economic conditions
3. Government policy
4. Mortgage availability
5. Health & Safety
6. Labour and resources: skilled workforce, retention and succession
7. Labour and resources: materials and land purchasing
8. Strategy
9. Climate change
10. Reputation
11. Regulatory compliance
12. Cyber and Data Risk

New risk for 2019
See page 63



Current year   Previous year

1 UK's exit from the EU

Residual Risk
High

Change since 2018
No change

Strategic Objective

Impact

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

Should the UK's future trading arrangements with the EU not be finalised before the end of the transition period in December 2020, a 'no deal' scenario could still occur. If this is the case, some of the Group's EU imported materials may be subject to tariffs resulting in increased material costs.

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

Mitigation

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

We closely engage with our key suppliers and have obtained assurances over the continuity of our material supply where relevant. We will continue to employ effective tendering processes to ensure cost impacts are mitigated as far as possible.

The vertical integration afforded by use of our own Brickworks, Space4 and Tileworks production will mitigate the availability and cost risks further.

(Also see mitigation and review of Government policy and Labour and Resources).

Strategic Objectives – Key:

- Providing good quality homes and customer service
- Creating and supporting sustainable and inclusive communities
- Maintaining a diverse, talented, engaged and motivated workforce
- Providing a sustainable supply of high quality land
- Working safely, responsibly and efficiently
- Maintaining financial strength

2 National and regional economic conditions

Residual Risk
High

Change since 2018
No change

Strategic Objective

Impact

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

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

Mitigation

We continually monitor lead indicators on the future direction of the UK housing market so as to manage our exposure to any future market disruption. We regularly review our pricing structure to ensure it reflects local market conditions.

Our diversity of geographical markets and our continual monitoring of the Group's geographical spread helps us mitigate the effects of regional economic fluctuations.

We control the level of build on site by closely monitoring our stock and work in progress levels. The Group's strong land bank provides continuity of supply and ensures that our extensive due diligence processes and targeted hurdle rates are always achieved prior to entering into any land investment decisions. These processes have regard to local market demands and conditions, and the Group's existing strategic and on market land holdings. Significant land additions are reviewed by the Executive Directors.

3 Government policy

Residual Risk
High

Change since 2018
No change

Strategic Objective

Impact

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

Mitigation

We monitor Government policy in relation to the housing market very closely. Consistency of policy formulation and application is very supportive of the housebuilding industry, encouraging continued substantial investment in land, work in progress and skills to support output growth. Our strategic objectives, delivering homes for all, are aligned with government priorities for increasing housing stock.

The UK Government continues to support the Help to Buy scheme, which is currently scheduled to remain in place until 2023.

We actively manage our land investment decisions and levels of work in progress to mitigate exposure to external influences.

4 Mortgage availability

Residual Risk
High

Change since 2018
No change

Strategic Objective

Impact

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

Mitigation

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

5 Health & Safety

Residual Risk
High

Change since 2018
No change

Strategic Objective

Impact

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

Mitigation

The Board has 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 Group Health and Safety Department, which includes detailed training and inspection programmes to minimise the likelihood and impact of accidents on our sites. While all reasonable steps are taken to reduce the likelihood of an incident, the potential impacts of any such incident are considered to be high.

6 Labour and resources: skilled workforce, retention and succession

Residual Risk
Medium

Change since 2018
No change

Strategic Objective

Impact

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

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

Mitigation

We closely monitor our build programmes to enable us to manage our labour requirements effectively. We operate in-house apprentice and training programmes, to support an adequate supply of skilled labour. Our in-house Group Training Department has been established to standardise and more effectively coordinate training activity.

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

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

The Group focuses on retaining its key staff through a range of measures, including the establishment of a Gender Diversity Panel, an Employee Engagement Panel, employee engagement surveys, further development of performance management frameworks, career management, and incentives. At the most senior level, the Nomination Committee oversees these processes and promotes effective succession planning.

7 Labour and resources: materials and land purchasing

Residual Risk
Medium

Change since 2018
No change

Strategic Objective

Impact

Materials availability

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

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 place and at the wrong time in the housing market cycle.

Mitigation

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.

We have invested in expanding our off-site manufacturing hub at Harworth, near Doncaster, to strengthen security of supply. Our brick plant is providing a significant proportion of the bricks we use and our roof tile manufacturing facility will be commissioned in spring 2020. This complements our existing off-site manufacturing capability at Space4, which produces timber frames, highly insulated wall panels and roof cassettes as a modern method of constructing new homes.

Our procurement team ensures that the Group's suppliers provide materials to the expected specification. Materials are inspected on receipt at site. During build, each of our new homes undergoes a seven stage internal quality check process, supported with IT tools to enable monitoring. This process has been further strengthened during 2019 by the introduction of a new team of Independent Quality Inspectors across each of our regional businesses.

Land purchasing

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

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

Strategic Objectives – Key:

- Providing good quality homes and customer service
- Creating and supporting sustainable and inclusive communities
- Maintaining a diverse, talented, engaged and motivated workforce
- Providing a sustainable supply of high quality land
- Working safely, responsibly and efficiently
- Maintaining financial strength

8 Strategy

Residual Risk
Low
Change since 2018
No change
Strategic Objective

Impact

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, it is possible that 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.

Mitigation

The Group's strategy is agreed by the Board at an annual strategy meeting, and undergoes a continuous and iterative process of implementation, review and adaptation at Board meetings and in response to the evolution of conditions in which the Group operates. During the year, for example, the Group implemented a clear strategy to put customers before volume. The Board is incorporating the recommendations of the Independent Review in its future strategy. A search has commenced for a Non-Executive Director with construction sector expertise in order to further challenge and inform strategic decision making.

The Board engages with all stakeholders to ensure the strategy is communicated, understood and effective. For example, an Employee Engagement Panel, Gender Diversity Panel and employee engagement surveys have been established to monitor the cultural health of the organisation and ensure strategy is understood and implemented.

9 Climate change

Residual Risk
Medium
Change since 2018
Increased
Strategic Objective

Impact

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

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

The impact and likelihood of this risk has increased compared to the prior year as an ever heightening awareness and demand for action is likely to result in a more urgent transition to a lower carbon economy.

Mitigation

We monitor our operational efficiency and direct environmental impact in a number of ways including measuring our own CO_2e emissions and the amount of waste we generate for each home we sell.

The Group has developed a climate change risk register which ensures that the management and mitigation of the risk is embedded within the Group's risk management process. We have also appointed a Group Sustainability Manager bringing increased focus to both the risk and opportunities surrounding climate change.

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. For example, we conduct full environmental assessments for each parcel of land we acquire for development to ensure our activities fulfil all obligations, respecting the natural environment and the communities for which we are delivering newly built homes. We are keen to adopt Sustainable Urban Drainage Systems on all our new sites, subject to local planning requirements, to address the risk of flooding.

On 1 October 2019, the Government set out its plans for the 'Future Homes Standard' including proposed options to increase the energy efficiency requirements for new homes in 2020 as a 'stepping stone' to achieving the new standard. The Future Homes Standard (to be introduced by 2025) will require new build homes to be future-proofed with low carbon heating and world leading levels of energy efficiency.

During the year, the Group established a low carbon homes working group (consisting of members from across the Group's various disciplines) to effectively plan and manage the transition to low carbon homes. The Group, which collaborates with key suppliers, is aiming to identify the most effective solutions to developing low carbon homes. It meets regularly and reports its findings to the Board. The Group is proactively engaging with the housing 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 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.

For further detail see 'Managing climate change related risk' on page 51.

10 Reputation

Residual Risk

Medium

Change since 2018

No change

Strategic Objective

Impact

Damage to the Group's reputation could adversely impact on its ability to deliver its strategic objectives.

For example, should 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 lead to higher staff turnover.

Mitigation

Management Supervision

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

The Group's build quality and customer service processes are a key strategic priority and significant investment has been made in this area during the year with further ongoing improvements being made.

Where management oversight identifies inconsistencies in adherence to agreed processes, correcting actions are swiftly taken. The identification of instances of incorrect cavity barrier installations, for example, resulted in immediate action and a detailed programme of inspections and rectifications, including training and introduction of the initiatives described below to strengthen oversight during construction.

A Construction Working Group comprising senior experienced construction professionals from across the Group was established in October 2019 in order to strengthen Group build processes and establish a consolidated, consistent Group wide approach to construction (the Persimmon Way). A new senior 'Construction Champion' role has also been created to strengthen oversight of Group build processes across all regions. The Group has appointed a team of Independent Quality Inspectors to undertake regular inspections of all aspects of construction activity on our sites as well as continually assessing the finished quality of our new homes. Once implemented there will be an external audit of this process on an annual basis in line with the Persimmon Way.

Other 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 that they are being implemented properly.

Stakeholder Relationships

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.

Within 2019 we have further developed our engagement activities with all stakeholders. For example, we have improved engagement with our employees through the Employee Engagement and Gender Diversity Panels which meet regularly and report to the Board. We have invested in a number of measures to improve customer experience by putting customers before volume. These measures have included the introduction of a retention scheme for customers with cover to include any faults identified during the first week of occupation, and invested in a customer portal which will be rolled out across the Group in 2020. We continue to foster long term, mutually beneficial relationships with our suppliers.

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

Strategic Objectives – Key:

- Providing good quality homes and customer service
- Creating and supporting sustainable and inclusive communities
- Maintaining a diverse, talented, engaged and motivated workforce
- Providing a sustainable supply of high quality land
- Working safely, responsibly and efficiently
- Maintaining financial strength

11 Regulatory Compliance

Residual Risk

Low

Change since 2018

Increased

Strategic Objective

Impact

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

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

The potential risk impact in this area has increased during the year, reflecting increasing regulatory requirements, and the scale of potential penalties under recent legislation (for example those under the General Data Protection Regulation ('GDPR')).

Mitigation

We operate comprehensive management systems to ensure regulatory and legal compliance, including a suite of policies and procedures covering key areas of legislation and regulation. Where these systems identify inconsistencies in adherence to agreed processes, correcting actions are swiftly taken. The identification of instances of incorrect cavity barrier installations, for example, resulted in immediate action and a detailed programme of inspections and rectifications, including training and a range of other initiatives to strengthen oversight during construction.

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

12 Cyber and Data Risk

Residual Risk

Medium

Change since 2018

New

Strategic Objective

Impact

Failure of any of the Group's IT systems, particularly those in relation to customer information and customer service could result in significant financial costs, reputational damage and business disruption, due to the loss, theft or corruption of data either inadvertently or via a targeted cyber-attack.

Mitigation

We operate centrally maintained IT systems with a fully tested disaster recovery programme.

All infrastructure is highly resilient, with geographically diverse data centres that have a series of backups.

The Group has detailed and robust systems development and implementation processes in place and a Cyber Incident Response Plan. The Group has also appointed a Cyber Security Manager responsible for the management and oversight of cyber security controls.

Periodic penetration testing is carried out through security partners to test the security of our perimeter network.

Established GDPR compliant business processes and data management are maintained and regularly reviewed.

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 also form part of the Board's assessment of long term prospects and viability*.

Assessing Persimmon's prospects

Persimmon has built a strong position in the UK's house building market over many years recognising the potential for long term growth across regional housing markets. 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 recognises the inherent cyclicality of the UK housing market. This cyclicality reflects the effect that some of the principal risks that challenge the Group's strategy and business model can have over time.

Persimmon possesses the key ingredients that are required to realise the Group's purpose and will deliver sustainable success – talented teams focused on consistently delivering good quality homes for our customers, strong local community and customer relationships, market knowledge and long term supplier engagement, expertise and industry know how, and high quality land that allows us to create attractive places that deliver long term value for our customers and other stakeholders. Through the implementation of the Group's customer care improvement plan and the recommendations of the Independent Review the Group is further strengthening the platform that will support the future success of the business. By building on these solid foundations the Group aims to help create sustainable and inclusive communities through continued investment in its people, its land, its development sites and in its supply chain, creating enduring value for the communities we serve.

The Group adopts a disciplined annual business planning regime which is constantly 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
- Flexible cost structure to allow the effective response to changes in market conditions
- Increased investment to support higher levels of construction quality and customer service through implementation of the Group's customer care improvement plan
- Strong financial position with considerable cash reserves and with additional substantial working capital credit facilities maturing March 2024

2. Strategy and business model

- Clear strategy to support continued investment in sustainable, inclusive residential development opportunities for the long term benefit of local communities and other stakeholders throughout the UK
- 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
- Positioning the business to retain appropriate flexibility to mitigate the impacts of the cyclicality of the UK housing market is a key element of the Group's strategy
- 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 in output
- Simple capital structure maintained with no structural gearing

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

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

See pages 58 to 63 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 in October each year. The management team from each of the Group's house building businesses produce a five year business plan with specific objectives and actions in line with the Group's strategy and business model. These detailed plans reflect the development skill base of the local teams, the region's housing market, strategic and on market land holdings and investments required to support their objectives. Special attention is paid to 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 and allocates capital with the aim of achieving the long term strategic objectives of the Group. The five year plans provide the context for setting the annual budgets for each business for the start of the new financial year in January, which are consolidated to provide the Group's detailed budgets. These budgets are updated after six months, for the following twelve months, which are then replaced by the new strategic planning, and budget setting, cycle. The Board review and agree both the long term plans and the shorter term budgets for the Group.

The outputs from the business planning process are used to support 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 time horizon for the purpose of assessing the viability of the Group reflects the business model of the Group, new land investments generally taking at least five years to build and sell through, and for the development infrastructure to be adopted by local authorities.

A key feature of the Group's strategy launched in early 2012 and documented in the Strategic Report is the Group's commitment to maintain capital discipline over the long term through the housing cycle. On launch, this commitment was reinforced with the announcement of the Group's Capital Return Plan ('CRP'). The CRP initially committed to return £1.9bn of surplus capital over the following ten financial years to 2021, or £6.20 per share. After eight years the Group is ahead of plan and has paid £9.55 per share, or £2.97bn back to shareholders. On 27 February 2020 the Directors announced the scheduled CRP payments in respect of the financial year ended 31 December 2019. Further details can be found on page 27.

On an annual basis the Directors review financial forecasts used for this Viability Statement as explained in the disciplined strategic planning processes outlined earlier. These forecasts incorporate assumptions about the timing of legal completions of new homes sold, average selling prices achieved, profitability, working capital requirements and cash flows, and are designed to test the Group's ability to fulfil its strategic objectives. They also include the CRP. The Directors have made the assumption that the Group's revolving credit facility is renewed during the period having again extended the maturity of the facility during the year to 31 March 2024.

The Directors have also carried out a robust assessment of the principal risks facing the Group (as set out on pages 58 to 63), and how the Group manages those risks, including those risks that would threaten its strategy, business model, future operational and financial performance, solvency and liquidity. The Group has considered the impact of these risks (particularly those in relation to the cyclicality of the UK housing market and the economic environment) on the viability of the business by performing a range of sensitivity analyses including severe but plausible scenarios materialising together with the likely effectiveness of mitigating actions that would be executed by the Directors.

These scenarios included the stress testing of the Group's business model assuming that a combination of events resulted in a substantial reduction in sales, similar to a severe recession, with a deterioration in employment levels and consumer confidence, coupled with a collapse in bank risk appetite, leading to a material reduction in credit availability. In undertaking the stress testing, the Directors assumed a rapid change in circumstances over a relatively short period of time so as to test the strength of the mitigating actions available to address the stress exerted on the Group's business model. In total it was assumed average selling prices fell by c.15% over an initial three year period, during which time it was also assumed that sales volumes fell by over 45%, before the market was assumed to stabilise and then gradually move into a recovery phase. Due to the combined effect of these factors the Group's housing revenues were assumed to fall by c.53% during this period. The stress tests and mitigation were guided by the experience gained from the management of the business through the Global Financial Crisis from 2007 to 2010. Cash flows were assumed to be managed consistently ensuring all appropriate investment was made in the business at the appropriate time as a priority. The Directors assumed they would make the most appropriate decisions regarding returning surplus capital to shareholders through this period to ensure the strategic objective of minimising financial risk through the cycle was achieved. The payment of the 'regular' element of the CRP in early July each year was maintained. This stress testing of principal risks materialising also considered the potential for costs of exceptional charges and asset impairment to arise.

Based on this assessment, the Directors confirm that they have reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to the end of 31 December 2024.

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

Culture and engaging with our stakeholders

The following disclosure describes how the Directors have had regard to the matters set out in Section 172 (1) (a) to (f) and forms the Directors' statement required under Section 414 CZA of the Companies Act 2006.

Stakeholder	Why?	How have we engaged?
Customers	We engage with our customers to identify their needs and to ensure that the communities we develop, our build quality and customer service meet the high standards they expect. We engage with housing associations to ensure that we are providing the right range of affordable homes to meet their residents' needs supporting diversity and inclusivity in our communities. Understanding our customers' needs ensures that the Board is able to set and adapt our strategy to ensure the long term success of the business. Maintaining positive relationships with our customers minimises the risk of reputational damage to the Group and mitigates the resulting negative impact on the ability of the Group to achieve its strategic objectives.	▪ Regular contact through our sales teams throughout our customers' home buying process. ▪ We have a comprehensive communication approach for each customer including: new home demonstrations, courtesy calls, a new seven day inspection and a one month home inspection. ▪ Through our customer care teams once our customers have moved into their new home. ▪ Use and monitoring social media sites such as Instagram. ▪ Participation in a National New Homes survey run by the Home Builders Federation. ▪ Through regular contact and meetings with housing associations. ▪ Further detail on how we engage can be found on pages 14 and 32. ▪ Further detail on how we mitigate reputational risk can be found on page 62.
Employees	Persimmon's employees are the foundation upon which the Group's strength and future success is built. The Board believes that a diverse, talented, engaged and motivated workforce is fundamental to the long term success of the business. Rising UK house building activity in recent years has increased demand for skilled labour. Retaining and investing in skilled staff is therefore a key strategic priority for the Group. We also engage with our employees to ensure they understand and align with the Group's strategic objectives.	▪ Employee Engagement Panel established in early 2019, with representatives presenting to the Board. ▪ Through the 'YourSay' employee engagement survey. ▪ Through feedback from the Gender Diversity Panel. ▪ Through the Young Achievers of the Year Awards scheme. ▪ A number of more informal meetings are performed – members of the Board regularly visit the Group's local businesses and informal dinners are held with the local management teams. ▪ A formal feedback facility is provided through 'HQ', our regular employee newsletter. ▪ Through our Health and Safety Department and training procedures (see page 46 for more detail). ▪ Performed 14,300 training days (2018: 11,000). ▪ Further detail on how we engage can be found on pages 41 to 43 and 46. ▪ Further detail on how we access and retain skilled labour can be found on page 11.
Communities	We proactively engage with local communities throughout the planning and development phase to more accurately identify their needs and address issues they may have. This allows us to develop attractive neighbourhoods that meet local requirements and provide much needed housing supply. During this collaboration, we aim to address and minimise the impact of our activities during the construction phase of our developments through our environmental management plans. By engaging with communities we are able to provide sustainable neighbourhoods with high amenity value in places where people wish to live and work.	▪ Consultation throughout the planning and development process to more accurately identify the needs of the local community. ▪ Through feedback from our local pre-launch marketing campaigns. ▪ Through the employment of local people who are aware of the needs and aspirations of the local community. ▪ Through supporting local charities and community groups through the Persimmon Charitable Foundation. The Foundation supports through the Community Champions and Building Futures programmes. ▪ Further detail on how we engage can be found on pages 38 to 40.

What did they tell us?	How did the Board respond?
▪ We need to have consistency on construction quality and assurance. ▪ Customers want regular communication with us, particularly regarding the timing of their 'move in' date. ▪ The customer care service they receive needs to be efficient and effective. Where a home appointment is necessary, these should be at times convenient for the customer.	▪ Implemented a customer care improvement plan ('the Plan'), placing our customers' needs at the centre of the business. ▪ The Plan focused on improving build quality and the service we provide to our customers. Key areas of focus are: – Increased financial investment in work in progress, technology and resource – Improved build quality and assurance processes – Improved customer communication throughout our customers' journey with us – Introduction of the Homebuyer Retention Scheme. (For further details see page 23). ▪ Commissioned an Independent Review in April 2019 to review the effectiveness of the Plan (see page 76). ▪ Responded to the recommendations of the Independent Review in December 2019 (see page 76).
▪ The Employee Engagement Panel feedback highlighted the opportunity for improved communications within the Group, environmental sustainability matters and employee appraisals. ▪ Our first 'YourSay' employee engagement survey was extremely positive, with an 80% employee engagement score. For more detail see page 43. ▪ Employees would like to see further improvement in the attractiveness of Persimmon as a place to work for women.	▪ Significant investment in the Group Training Department which is responsible for developing Group wide training resources and delivering a consistent approach to all our operating regions (see page 43). ▪ An increased programme of employee communications was launched during the year. ▪ Launched the first employee survey in January 2020 (see page 43). ▪ Agreed a number of initiatives to attract more women into the business, including a revised flexible working policy and enhanced maternity pay (see page 42). ▪ Determined that the Group should become a member of 'The 5% Club', an employer organisation creating momentum behind the recruitment of apprentices, sponsored students and graduates into the workforce (see page 42). ▪ Signed up to the 'Social Mobility Pledge' which encourages businesses to boost social mobility in the UK (see page 42).
▪ Attractive developments with high amenity value are important to our communities and our customers. ▪ Invest in local infrastructure to improve community environments. ▪ Be positive and responsive to the views of local people. ▪ Provide a way for our customers and the wider community to report any safety concerns out of normal hours. ▪ Support local charities and community groups in the areas in which we build.	▪ Continued investment in skilled land, planning and design teams to provide communities with the range of well-designed affordable homes that best suit the needs of the local community (see pages 47 to 50). ▪ Established the Group's safety concerns line, details of which are on our website and included in the new homeowner welcome pack. ▪ Continued the Community Champions Campaign and launched the Building Futures Campaign (see page 40).

Culture and engaging with our stakeholders *continued*

Stakeholder	Why?	How have we engaged?
Suppliers and sub contractors	Robust, well established relationships with our suppliers and subcontractors are essential to secure quality of materials, continuity of supply and meet our construction schedules. We engage with them to ensure adherence to our stringent health and safety standards and required standards of ethical behaviour and integrity. Engagement with our suppliers assists us in continuing to improve the long term sustainability of our supply chain.	▪ Through our centralised procurement department. This team secures deals with all of the Group's major suppliers. They are in regular contact with our suppliers and have long standing established relationships with them. ▪ Through our local operating businesses' buying and technical teams who regularly engage with local suppliers and subcontractors. ▪ Hold regular 'Toolbox Talks' with our subcontractors to ensure they adhere to the health and safety standards required on site. ▪ Established supplier principles which govern our relationships with and expectations of each of our suppliers. ▪ Further detail on how we engage can be found on page 53.
Shareholders	Access to capital is important to the long term success of the business. Through our engagement we aim to create investor buy-in of our strategic objectives and how we execute them. We create value for our investors by generating surplus capital beyond the reinvestment needs of the business as the market cycle develops.	▪ We hold institutional shareholder meetings and specific consultations. ▪ Through shareholder roadshows. ▪ Hold a 'Capital Markets Day' every two years. ▪ We held consultation meetings with institutional investors and proxy advisors on the proposed new remuneration policy. ▪ Obtain feedback from the Company's brokers and market analysts. ▪ Obtain feedback from shareholder groups.
Government, regulators and industry bodies	Our purpose is to build good quality homes at a range of price points, directly aligned with Government policy to increase housing supply. Changes to this policy have the potential to impact on several aspects of our strategy and operational performance. We engage with Government in respect of Government policy that affects the Group. We meet with local authority planning departments to ensure we are able to provide sustainable communities with high amenity value in places where people wish to live and work. We engage with the Health and Safety Executive in relation to industry-wide initiatives to reduce health and safety risks to both our workforce and the local communities.	▪ Participating in industry meetings with Ministers. ▪ MP site visits. ▪ Engaging with Government departments directly, and working with the Home Builders Federation, to explain industry opportunities and challenges. ▪ Member of Homes for Scotland. ▪ Engaged with Home Building Skills Partnership. ▪ Regular dialogue with the Health and Safety Executive. ▪ Engaging with local planning authorities. ▪ Engaging with Government regarding their policy on low carbon homes by 2025. ▪ With Government on the transition to the Future Homes Standard.
Environment	The Group must manage and mitigate the impacts of its operations and of the homes we build on the environment to ensure the long term sustainability of the business.	▪ Monitoring the greenhouse gas emissions of our operations. ▪ Monitoring the level of waste produced by our operations. ▪ Taking part in the CDP survey. ▪ Measuring the SAP ratings of our new homes. ▪ With Government on the transition to the Future Homes Standard. ▪ Further detail on how we engage can be found on pages 49 to 51.

What did they tell us?	How did the Board respond?
• The Group works in partnership with its suppliers, providing continuity and visibility of future work flows. • Timely payment of invoices is important to them. • Appropriate arrangements are being made to address the risks to supply associated with the UK's exit from the EU.	• The Corporate Responsibility Committee received a report on supplier engagement with key suppliers with some potential areas for improvement. • Maintain a set of Supplier Principles which all suppliers must sign up to. • We are a signatory to The Prompt Payment Code (PPC) (see page 54). • Joined the Gang Masters and Labour Abuse Authority's Construction Protocol (see page 53). • Maintained dialogue regarding the prevention of modern slavery.
• Preference for a sustainable dividend. • Fair pay for all employees. • Increased need to demonstrate 'ESG' credentials. • Require a diverse Board composition. • Remuneration must be appropriate, performance related and linked to strategy.	• Approved the Capital Return plan payments by the payment of an interim and final dividend (see page 27). • Adopted the payment criteria of the Living Wage Foundation from 1 January 2019 (see page 43). • Maintain a rigorous process for each Board appointment led by the Nomination Committee (see page 82). • Appointed a Group Regulatory Director to oversee operational management and co-ordination of the Corporate Responsibility Committee. • Recruited a Group Sustainability Manager. • Approved a new Remuneration Policy which will be put to shareholders at the 2020 AGM (see page 101).
• Government policy is targeting an increase in the rate of construction of new homes and supporting an increase in overall output from the industry. • National planning policy requires local authorities to address the housing needs of their local communities through a plan led system of land release and development and supports the delivery of local infrastructure and amenities for new developments which address the needs of local communities. • Essential to maintain a skilled and adequately resourced Health and Safety Department.	• The Chairman and Chief Executive have direct engagement with Government, Homes England and the Home Builders Federation. • The Group is actively engaging with the housing industry and Government to identify cohesive solutions to meet the requirements of the Future Home Standard.
• Our greenhouse gas emissions reduced by 8% per home sold in 2019. • The levels of waste recycled has increased in 2019 to 97%. • Planted c.146,000 trees in the year. • Provided c.750* acres of green space to the communities we serve.	• Established a low carbon homes working group to effectively manage the transition to low carbon homes (see page 50). • Set a target of reducing the intensity of our Scope 1 and Scope 2 greenhouse gas emissions by 10% from 2017 on a like for like basis. • Recruited a Group Sustainability Manager (see pages 47 and 51). • The Group is actively engaging with the housing industry and Government to identify cohesive solutions to meet the requirements of the Future Home Standard.

* Estimated using an economic toolkit.

Principal Decisions

Principal Decisions

We define principal decisions as both those that are material to the Group, but also those that are significant to any of our key stakeholder groups. In making the following principal decisions the Board considered the outcome from its stakeholder engagement (described on pages 66 to 69) as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Company.

Principal Decision 1

Implementation of the Customer Care Improvement Plan

- At the start of 2019, the Board implemented its customer care improvement plan.
- After engaging with a number of stakeholders, the Board identified the need to focus on delivering consistently higher build quality and improving the service provided to customers.
- Details of the customer care improvement plan can be found on pages 32 to 34.
- The Board determined that the implementation of the customer care improvement plan would be in the long term interests of all its key stakeholder groups but particularly customers, employees and shareholders by providing a strong platform for the Group's future success.

Principal Decision 2

Commissioning an Independent Review

- In April 2019, the Board commissioned an Independent Review in order to assess the effectiveness of the customer care improvement plan.
- The Board sought independent verification that the customer care improvement plan would go far enough and fast enough to implement the changes required to improve build quality and customer service.
- The Independent Review published its recommendations in December 2019 and details can be found on page 24.
- The Board has embraced the recommendations of the Independent Review and recognises the importance of their implementation on the long term success of the business.

Principal Decision 3

Payment of Dividends

- As detailed on page 27, the Board has announced a return of capital of £2.35 in 2020, in line with the existing Capital Return Plan. It has also announced its intention to return a further £2.35 in 2021.
- In determining the 2020 and 2021 capital returns, the Board has considered the performance of the business and prevailing market conditions.
- The primary consideration in judging the level of surplus capital available is the assessment as to whether the business is operating at optimal scale in its regional markets, including executing disciplined well-judged land investment at the right time through the cycle, whilst also minimising financial risk.
- As detailed on page 65, the Board has reviewed detailed forecasts incorporating assumptions about the timing of legal completions of new homes sold, average selling prices achieved, profitability, working capital requirements and cash flows, and are designed to test the Group's ability to fulfil its strategic objectives. They also include the Capital Return Plan.
- The Board balances returns to shareholders with the needs of the Group's other key stakeholders in order to deliver a level and nature of return that is considered sustainable in the long term.

Principal Decision 4

Appointment of New Chief Executive

- Dave Jenkinson was appointed Group Chief Executive on 26 February 2019. After a thorough search, it was clear to the Board that Dave Jenkinson was the best candidate for the role.
- Dave Jenkinson had been with the Company in a number of roles for 22 years, including Interim Chief Executive and prior to that as Group Managing Director, he showed both strong leadership and that he listens carefully to the views of all our stakeholders.
- Further detail on the composition of the Board is on pages 74 and 82.

Non-Financial Information

Information regarding non-financial matters is included throughout our Strategic Report and the following table summarises where this information can be found. A description of the key outcomes of these policies is also included throughout the report and is summarised for 2019 in our Social Contribution Statement on page 19.

Reporting requirement	Where to read more in this report to understand the impact on the business	Relevant policies
Environmental Matters	Page 19	▪ Climate Change Position Statement ▪ Environment Policy ▪ Sustainability Policy ▪ Waste and Resource Management Policy
Employees	Page 41	▪ Health & Safety Policy ▪ Diversity Policy
Social Matters	Page 38	▪ Sustainability Policy ▪ Anti-Bribery Policy ▪ Code of Ethics ▪ Prevention of Criminal Facilitation of Tax Evasion Policy
Human Rights	Page 43	▪ Human Rights Policy ▪ Modern Slavery Statement
Suppliers	Page 53	▪ Supplier Principles
Business Model	Page 12	
Principal Risks	Page 58	
Non-financial KPIs	Page 18	

Our policies are available on our website www.persimmonhomes.com/corporate/corporate-responsibility/policies

This strategic report has been approved by the Board:

Dave Jenkinson
Group Chief Executive
26 February 2020

Mike Killoran
Group Finance Director
26 February 2020

Chairman's introduction to Corporate Governance

"The Board and Persimmon team have worked hard during the year to implement the customer care improvement plan, which includes increased investment in work in progress, significant investment in customer care resource, enhanced quality assurance processes, digitalisation of the build process, and the Homebuyer Retention Scheme."

Roger Devlin
Chairman

It is my pleasure to introduce the 2019 corporate governance report, the Group's first under the new UK Corporate Governance Code 2018.

2019 has been a year of change for the Group as the Board implemented its Customer Care Improvement Plan ('the Plan') and put customers before volume. The Plan, introduced at the start of 2019, includes a number of initiatives designed to improve build quality and customer care and ensure we meet the high standards our customers expect. They are already yielding positive results and will provide a strong platform for the long term sustainable success of the business.

During the year, the Board commissioned an Independent Review to assess the effectiveness of the Plan and to determine whether it went far enough and fast enough for the benefit of both customers and wider stakeholders in the business. The Review's findings were released in December 2019 and the Board's responses to them can be found at www.persimmonhomes.com/corporate. The Board will provide an update on its consideration of the purpose and culture element of the Review's recommendations at the AGM in April 2020.

The Board and the Persimmon team have worked hard during the year to implement the Customer Care Improvement Plan, which includes increased investment in work in progress, significant investment in customer care resource, enhanced quality assurance processes, digitalisation of the build process, and the Homebuyer Retention Scheme. Further detail on each of the measures can be found on pages 32 to 34.

We recognise there is further work to do in implementing the Group's customers care improvement plan and the recommendations of the Independent Review and this will remain a key focus throughout 2020.

Engaging, and maintaining good relationships, with all of our stakeholders is important to the Board and to the long term success of the Group. We have enhanced our engagement processes during 2019. Information on how we engage with our stakeholders is set out in our s.172 Statement on pages 66 to 69. The Company's Employee Engagement Panel, which was formed in early 2019, held a number of meetings and provided feedback directly to the Corporate Responsibility Committee and to the Board. On behalf of the Board, I would like to thank the Panel members for sharing their views with us.

Dave Jenkinson has informed the Board of his wish to step down as Group Chief Executive in due course. He has signalled his intention early to give the Board good time to recruit a successor. Dave will remain in the Group Chief Executive role and fully committed to leading the ongoing programme of change for as long as the business requires.

The Board appointed Dave as Group Chief Executive on 26 February 2019. The search was thorough, covering the housebuilding sector and other industries. During the year the Nomination Committee considered Non-Executive Director appointments. Claire Thomas was appointed as Independent Non-Executive Director on 1 August 2019.

Claire resigned on 1 February 2020 to pursue other interests, but made a positive contribution during that time. On 17 February 2020 the Company announced that Joanna Place, the Chief Operating Officer of the Bank of England, would join the Board as an Independent Non-Executive Director, from 1 April 2020. Joanna brings to the Board many years of executive experience covering areas such as banking, technology, human resources and procurement. Joanna's knowledge and insight will make a valuable contribution to the Board.

The Committee (and the Independent Review) identified during the year that the Board could benefit from an additional Independent Non-Executive Director with construction sector experience. An executive search firm is assisting the Committee with this ongoing search.

The Group has a strong track record of promoting social mobility and this has been demonstrated in the year as the Group has become a signatory to the Social Mobility Pledge and a member of The 5% Club. The Board is committed to employee and Board diversity and recognises the importance of the Hampton-Alexander and Parker Reviews, both of which are considered during the Board appointment process. The Group has introduced measures aimed at improving our gender diversity; a flexible working policy was introduced for office based staff, a school engagement programme was established and, from 1 January 2020, the Group began to offer enhanced maternity pay to its employees. Increasing the gender diversity of the Group is a challenge and we will continue to work towards improving this in 2020.

During the year, the Audit Committee has focused on driving continuous operational and quality improvement through the work of our Internal Audit function and strengthening of the Group's second line of defence controls. The Audit Committee ensured that the actions being taken to implement the customer care improvement plan were subject to the appropriate level of supervision. Maintaining a high quality external audit continues to be a key priority of the Audit Committee.

The Remuneration Committee developed the proposed new remuneration policy, which shareholders will vote on at the AGM. This new policy reflects our values, with reward dependent on a balanced assessment of performance and that is very much in line with best practice. Further details of the Remuneration Committee's work in the year and the proposed remuneration policy, which will be put to shareholders for their approval at the 2020 AGM are set out in the Remuneration Report on pages 98 to 120.

Corporate Governance Overview

Key sections within the governance section

Board leadership and company purpose — Read more — See page 76

Division of responsibilities — Read more — See page 80

Composition, succession and evaluation — Read more — See page 82

Audit, risk and internal control — Read more — See page 89

Remuneration — Read more — See page 98

The Board and its Committees undertake a performance evaluation every year. In 2019 we conducted an internal evaluation, Directors provided their assessment of what the Board and its Committees did well and where improvements could be made. I conducted an evaluation of individual Directors' performance and Nigel Mills, our Senior Independent Director, led the Non-Executive Directors' evaluation of my performance as Chairman. Details can be found on page 86.

The UK Corporate Governance Code 2018 was applicable to the financial year ending 31 December 2019. I am pleased to report that the Company has complied with the UK Corporate Governance Code 2018.

Roger Devlin
Chairman
26 February 2020

Board of Directors

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

Roger Devlin
N R CF

Chairman (age 62)

Date of appointment: 1 June 2018

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

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

Skills and contribution: Roger's wealth of experience gives him a strong understanding of corporate governance, shareholder and stakeholder views, banking and finance, customer propositions and leadership.

Roger's expertise and personal qualities enable him to effectively lead the Board and drive change within the business. Roger makes a valuable contribution towards the development and execution of the Group's strategy and ensures that the Board functions effectively by facilitating open and productive debate, providing constructive challenge and by demonstrating objective judgement.

Dave Jenkinson
Ri CF

Group Chief Executive (age 52)

Date of appointment: 13 December 2013

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

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

Mike Killoran ACA
Ri CF

Group Finance Director (age 58)

Date of appointment: 4 January 1999

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

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

Board Committee membership

Member	A	N	R	Ri	CR	CF
Roger Devlin		C	●			●
Dave Jenkinson				C		●
Mike Killoran				●		●
Nigel Mills		●	●			
Marion Sears	●	●	C		C	●
Rachel Kentleton	C	●	●	●		
Simon Litherland	●	●	●			

C Committee Chairman
A Audit Committee
N Nomination Committee
R Remuneration Committee
Ri Risk Committee
CR Corporate Responsibility Committee[1]
CF Trustee of the Persimmon Charitable Foundation

1 The membership of this Committee includes a number of senior Group employees.

Board meeting attendance 2019

Member	Current position	Meetings attended	% of meetings attended
Roger Devlin	Chairman	9/9	100%
Dave Jenkinson	Group Chief Executive	9/9	100%
Mike Killoran	Group Finance Director	9/9	100%
Nigel Mills	Senior Independent Director	9/9	100%
Marion Sears	Independent Non-Executive Director	9/9	100%
Rachel Kentleton	Independent Non-Executive Director	9/9	100%
Simon Litherland	Independent Non-Executive Director	9/9	100%
Claire Thomas[2]	Independent Non-Executive Director	3/3	100%

2 Claire Thomas was appointed on 1 August 2019. She stepped down as a Non-Executive Director on 1 February 2020 to pursue other interests.

Nigel Mills
N R

Senior Independent Director (age 64)

Date of appointment: 4 April 2016

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

Skills and contribution: Nigel has sound commercial judgement drawing on a 30-year career advising quoted companies. He has broad experience of financial markets, strategy, risk, shareholder attitudes and corporate governance which enable him to provide sound advice to the Board. Between February 2018 and May 2018 Nigel served as Acting Chairman and led the process which resulted in the appointment of the current Chairman, Roger Devlin.

Rachel Kentleton
A Ri N R

Independent Non-Executive Director (age 51)

Date of appointment: 24 June 2015

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

Skills and contribution: Rachel has worked in various customer facing businesses and has significant knowledge of finance, strategy, organisational change, operations, technology and investor relations. Rachel's financial experience brings particular strength to the Company's Audit Committee, and on the robustness of the Group's financial controls, risk management and the external audit. Rachel adds to the balance of skills and diversity of views on the Board.

Joanna Place[3]

Independent Non-Executive Director (age 57)

Date of appointment: 1 April 2020

Experience and external appointments: Since 2017 Joanna Place has been the Chief Operating Officer of the Bank of England with responsibility for the day to day management of the Bank including finance, technology, information and physical security, human resources, property, and procurement.

Skills and contribution: Jo has over 30 years of experience at the Bank of England, including leading teams in banking, statistics and regulation. Before her appointment as COO Jo was the Bank's HR Director for three years.

Marion Sears
R CR A N CF

Independent Non-Executive Director (age 57)

Date of appointment: 8 January 2013

We announced that Marion would retire from the Board at the conclusion of the AGM. Following Claire Thomas' departure, if necessary, Marion has agreed to remain on the Board for a short time after the AGM, while the Board seeks a new Remuneration Committee Chairman.

Experience and external appointments: Marion Sears is a Non-Executive Director of Dunelm Group Plc where she is the designated director for People matters, and of investment company WA Capital Limited. She is also Senior Independent Director of the investment trust Fidelity European Values Plc and a Non-Executive Director of Aberdeen New Dawn Investment Trust PLC. Marion previously held executive positions at Glaxo, UBS, Baring Brothers and JP Morgan.

Skills and contribution: Marion has extensive retail industry knowledge and customer understanding together with an all-round view of the consumer markets. She has a long-standing experience of shareholder and stakeholder views, corporate governance and corporate responsibility. Her strategic and financial background, and current involvement in both the consumer and investment industries, enable her to provide sound advice and judgement on the development and implementation of the Group's strategy. Marion has made a significant contribution to the Board through her leadership of the Company's Remuneration Committee since 2017 and Corporate Responsibility Committee since 2013. She has particularly focused on ensuring that the Company has best practice remuneration arrangements in place.

Simon Litherland
A N R

Independent Non-Executive Director (age 55)

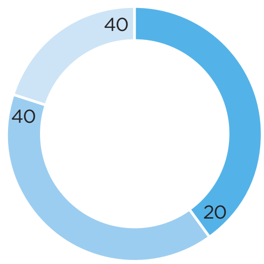
Date of appointment: 3 April 2017

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

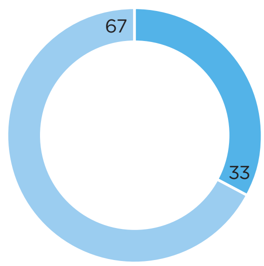
Skills and contribution: Simon is an accomplished Executive with proven finance, leadership and business skills in a consumer facing industry.

As a sitting Chief Executive of a FTSE 250 company Simon is well versed in the investment, stakeholder and ESG environment in which large companies operate. Given his extensive experience in a consumer facing sector, Simon has a strong customer-focus, with expertise in brand building, marketing and strategy. As the leader of a large organisation Simon also brings to the Board a strong practical understanding of organisational purpose, culture and employee engagement. Overall, Simon's background and skills enable him to make a valuable contribution to the Board's decision-making and the development of the Group's customer-focused strategy.

Chairman and Non-Executive Director Tenure at 26 February 2020 (%)



Board Independence (excluding Chairman) at 26 February 2020 (%)



3 Joanna Place will be appointed to the Board as an Independent Non-Executive Director on 1 April 2020. Claire Thomas, who resigned on 1 February 2020, also served on the Board as an Independent Non-Executive Director during the reporting period.

Board leadership and company purpose

The UK Corporate Governance Code 2018

This Corporate Governance Statement, together with the Audit Committee Report on pages 87 to 94, Nomination Committee Report on pages 84 and 86 and the Directors' Remuneration Report on pages 98 to 120, provides a description of how the main principles of the UK Corporate Governance Code 2018 have been applied within the Company during 2019.

The Company complied with the relevant provisions of the UK Corporate Governance Code 2018 throughout 2019. The Board continues to review its governance procedures to maintain proper control and accountability. The Governance Code is available from the Financial Reporting Council, at www.frc.org.uk.

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

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

The Board has a formal schedule of matters reserved for its consideration and decision, which is reviewed annually. The schedule includes the approval of the Group's strategy, major investments, annual and half year results and trading updates, review of performance, dividend and cash return policy, monitoring risk and ensuring adequate financial controls are in place.

During 2019 the Board held nine meetings. Board meetings are often preceded by informal dinners, to which senior managers and external guests are invited to give presentations to the Board. All Directors attended the relevant Board and Committee meetings during the year.

The Independent Review

On 5 April 2019 the Board announced that it had commissioned an Independent Review to assess the effectiveness of the Group's initiatives to instigate a programme of cultural and operational change that prioritises customers over volume growth. The purpose of the review, was to determine whether the new measures would enable the business to deliver consistent high standards of quality, safety and customers service across all of our regions.

On 17 December 2019 the findings of the Independent Review were published. The findings and the Group's response are available to download from the Group's corporate website: www.persimmonhomes.com/corporate.

Persimmon commenced a programme of change from early 2019, which placed the customer at the centre of its business. At the heart of this plan is a commitment by Persimmon to a programme of cultural and operational change that prioritises customer care over volume growth. The Independent Review, provided some additional recommendations which the Persimmon team have fully embraced and are in the process of implementing.

An effective and entrepreneurial board

During 2019 the Board and its Committees took action in relation to various matters concerning the long-term sustainable success of the Group. Examples of such issues are included in the table below:

Issue	Action taken by the Board	Where to find further information within this report
Customer Care and Build Quality	▪ Took the strategic decision to implement the customer care improvement plan and put customers before volume. ▪ As part of the Plan the Board agreed to: – Delay sales release of homes in higher demand areas; – Increase investment in work in progress; – Increase investment in customer care resource; – Introduce the Homebuyer Retention Scheme; and, ▪ Establish a Construction Working Group comprising senior experienced construction professionals to determine and define the Persimmon Way of building. Closely monitored the Group's actions on remediation of cavity barriers. ▪ Appointed a leading independent fire engineer to assist with the inspection regime adopted.	Pages 32 to 34
Appointment of a new Group Chief Executive	▪ Agreed to appoint Dave Jenkinson as the Group's permanent Group Chief Executive from 26 February 2019.	Page 84
Independent Review	▪ Commissioned an Independent Review to assess the effectiveness of measures and processes instigated as part of the Group's customer care improvement plan.	
Purpose and Culture	▪ Will consider the purpose and culture element of the Independent Review's recommendation. The Board will provide an update at the AGM in April 2020.	Page 77

Issue	Action taken by the Board	Where to find further information within this report
Capital Return Plan	▪ Monitored the Group's performance against the Capital Return Plan and agreed the payments to be made.	Page 27
Board Composition	▪ Accepted the Independent Review's recommendation that the Board would benefit from the appointment of a Non-Executive Director with construction sector expertise and a search is underway.	Pages 82 and 83
Employee Engagement	▪ Received a presentation from members of the Group's Employee Engagement Panel.	Page 78
Living Wage	▪ Voluntarily adopted the payment criteria of the Living Wage Foundation.	Page 43

Certain matters are permanently on the Board's agenda and are reviewed at each of its meetings. These matters form the 'Business Dashboard', which covers sales, customer care resource and training, land holdings, human resources, health & safety, IT and FibreNest. These matters enable the Board to monitor the Group's financial and operational performance and how the Group is performing in relation to its stakeholders.

Company purpose, values, strategy and culture

Purpose and values

The Group's purpose is to build good quality homes at a range of price points across the UK. We aim to create and protect superior and sustainable levels of value for the benefit of our customers, workforce, suppliers and shareholders through the housing cycle.

We are putting our customers at the centre of our business by focusing on consistently providing good quality homes and customer service. At the start of 2019 the Board took action to reinforce the importance of customer care and build quality by implementing the customer care improvement plan and commissioning the Independent Review.

The Board will provide an update on its consideration of the purpose and culture element of the Review's recommendations at the AGM in April 2020.

Strategy

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

The Group's strategy has a clear focus and direction on putting the customer first through the application of enhanced Group controls and procedures. The Group's strategic objectives (detailed on pages 14 and 15) support the delivery of this strategy.

Once set by the Board, the strategy is communicated to the Group through its management structure. The Group comprises three divisions each headed by a Regional Chairman who is responsible for communicating the strategy to the operating businesses in their division. The Group's objectives are reinforced through regular meetings between the Executive Directors and the Regional Chairmen and office and site visits where Board Directors meet employees and sub-contractors. Such visits often include informal dinners with senior staff from the operating business providing opportunity for two-way feedback between Board Directors and local management. The Board is committed to ensuring that members of the senior management team are fully aligned with the Group's strategic objectives and are overseeing and executing the changes necessary to deliver it.

Culture

The Group has a close knit, entrepreneurial and meritocratic culture where hard work is valued. We intend to build on the steps we have already undertaken to embed a culture that focuses on our customers and puts them before volume. The Board will consider the purpose and culture element of the Independent Review's recommendations and will provide an update at the AGM in April 2020.

Board leadership and company purpose *continued*

Resources to meet objectives and risk management

The Board is mindful that the Group must be provided with the necessary resources to achieve its strategic objectives. With the aim of improving build quality and customer care, during 2019 the Board approved investment of £213m in additional work in progress and an additional £15m in annual quality assurance and customer care spend. The Group has recruited additional staff for its customer care departments, on site customer care operatives and a new team of Independent Quality Inspectors. To support this additional recruitment and to support the training of the Group's workforce, the Group has also significantly invested in its Group Training Department. For further details, please see pages 32 to 34 of this report.

The Board has established a risk management framework to identify, assess, manage and mitigate risks in a robust and timely manner enabling it to respond to changes in its environment effectively. Details of the Group's risk management framework and Principal Risks and are set out on pages 58 to 63 of this report and the Audit Committee report can be found on pages 87 to 94.

Effective engagement

Shareholders

The Board is committed to establishing and maintaining good relations with the Company's shareholders. The Board values shareholder engagement and members of the Board, including the Chairman, meet regularly with major shareholders. All members of the Board attend the Company's Annual General Meeting and are available to answer questions from all shareholders.

There was a high level of engagement with shareholders and leading proxy voting advisors during 2019, focusing on governance, the appointment of Dave Jenkinson as Group Chief Executive, the customer care improvement plan, the Independent Review and remuneration.

The Group Chief Executive and Group Finance Director have responsibility for maintaining appropriate communications with institutional investors and analysts, advised by the Group's brokers and the Group's financial PR consultants. Persimmon issues regular trading updates to the London Stock Exchange, as well as publishing half yearly and annual financial results. At the time of the half year and annual financial results announcements, the Company provides shareholders with operational and financial performance information during its analyst presentations and the Group Chief Executive and Group Finance Director hold calls and meetings with major shareholders and analysts.

The presentations and recordings of the calls held are available on the Group's corporate website at www.persimmonhomes.com/corporate. Directors provide the Board with regular updates on shareholder engagement.

Employees

The Board is committed to engaging with the Group's employees, believing this to be a valuable source of feedback for the Board and an aid to good decision making.

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

To enhance the Group's engagement with its employees, an Employee Engagement Panel was established in early 2019. The Panel, chaired by the Group Human Resources Director, consists of voluntary members who provide a broad representation of the Group's employees. A member of the Board usually attends part of the Panel meeting to update members on recent initiatives and to receive feedback. The Panel's views are presented both to the Group's Corporate Responsibility Committee and to the Board.

During 2019, the Panel held three meetings. Dave Jenkinson, Group Chief Executive, demonstrated the Board's commitment to employee engagement by attending the Panel's inaugural meeting. Marion Sears, Chairman of the Remuneration Committee, attended the Panel's second meeting to engage with Panel members on executive remuneration and how it aligns with wider Group pay policy. Additionally, in late 2019 members of the Employee Engagement Panel delivered presentations to the Corporate Responsibility Committee and to the Board. The presentations covered topics such as communication within the Group, annual reviews/appraisals and the changes made by the Group during the year to improve customer care and build quality.

The Group publishes an employee newsletter, 'HQ', at regular intervals throughout the year to keep employees updated on developments within the Group and to update all employees on the various achievements of our workforce.

To further strengthen the Group's employee engagement, during 2019 the Board agreed to introduce an annual employee engagement survey. The survey was conducted in January 2020 and administered by an independent company. Details of the survey's initial results can be found on page 43.

For information on the activities of the Group's Gender Diversity Panel, please see page 42 of this report.

Customers, suppliers, the communities in which we build, Government, regulators and industry bodies

The Board is committed to engaging with and maintaining strong relationships with the Group's key stakeholders to ensure the long term sustainability of the Group.

The Group engages with customers, employees, suppliers and subcontractors, the communities in which we build, Government, regulators and industry bodies. Engagement occurs at every level within the Group, from construction site level to Senior Management and Board level. Examples of the Group's customer, community and supplier engagement activities during the year include:

- Regular contact between operating businesses and customers throughout the home buying process;
- Consultation with local communities as part of the planning process;
- Calls and meetings between the centralised Group procurement department and local buyers and suppliers and sub-contractors;
- Engaging with Government and the wider housebuilding industry to determine how best to achieve the transition to low carbon homes.

Details of how the Group engages with its stakeholders can be found on pages 66 to 69 of this report.

Workforce policies and practices

The Group has workforce policies in place covering a variety of matters such as Health & Safety, equal opportunities and flexible working. The Board works to ensure that these workforce policies and practices are consistent with the Group's values and that they support the Group's long-term sustainable success. Furthermore, the Board receives regular reports from the Group HR Director. Details of how the Group implemented its workforce policies during 2019 can be found on pages 41 to 43 of this report. Workforce policies are set out in the Group's Employee Handbook. Supplementary policies can also be viewed on the Group's corporate website at www.persimmonhomes.com/corporate.

The Board understands the importance of promoting a culture where employees feel able to raise concerns, either through their usual line management or through the Group's whistleblowing provisions. The Group has a whistleblowing telephone line and email address, details of which are communicated regularly and are displayed in all Group offices and on all of the Group's construction sites. Any concerns raised are reviewed and, if appropriate, investigated by the Group Internal Audit department and reported to and reviewed by the Audit Committee. Whistleblowing reports can be made anonymously and are dealt with confidentially. During 2019, the Board reviewed the Group's whistleblowing provision and agreed that it remained suitable. For further details of the Group's whistleblowing facilities see page 79 of this report.

The Group has procedures in place to identify and manage conflicts of interest amongst Board members and employees. These procedures are communicated throughout the Group's senior management structure, monitored by the Group's Internal Audit department and ultimately overseen by the Audit and Risk Committees. Where potential conflicts of interest are identified, appropriate mitigating action is taken.

Division of responsibilities

There is a clear, written division of responsibilities between the Chairman and the Group Chief Executive, which is approved by the Board. The responsibilities of the Senior Independent Director are set out in a letter of appointment.

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

The Chairman

On appointment Roger Devlin, Chairman, satisfied the criteria for independence specified in the UK Corporate Governance Code 2018. The Chairman, supported by the Company Secretary, sets the agenda for board meetings and ensures that Board members are provided with accurate, timely and clear information. The Chairman ensures that board meetings are a forum for open and constructive debate and that the views of all Directors are valued and considered.

Board composition

More than half of Board members (excluding the Chairman) are Independent Non-Executive Directors and no one individual or group of individuals has the ability to dominate the Board's decision making.

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

Non-Executive Directors

The Non-Executive Directors have expertise which complements that of the Executive Directors. Between them, the Non-Executives have experience in fields such as marketing, various consumer facing industries, banking and finance. The collective experience of the Non-Executives allows them to make valuable contributions to Board discussions, providing insight, strategic guidance, a diversity of views and constructive challenge to the Executive Directors. For further information on the skills and contribution of each Director see pages 74 and 75.

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

All Directors are required to allocate sufficient time to the Group to discharge their duties. Prior to the appointment process the Nomination Committee considers the other demands on a Director's time and provides the Director with an assessment of the time commitment required of their role on the Company's Board.

Resources for the Board

The Board is supported by the Company Secretary and has the necessary policies, processes, information and resources in place to ensure that the Board can function effectively and efficiently. All Directors have access to the advice of the Company Secretary and may seek external professional advice at the expense of the Company in regard to their role with the Group.

Audit Committee

The members of the Audit Committee are listed in the table on page 87. All members of the Committee are considered by the Board to be independent. The Board is satisfied that Rachel Kentleton has recent and relevant financial experience and that the Committee as a whole has competence relevant to the sector in which the Company operates.

The purpose of the Committee is to safeguard the interests of all stakeholders by carrying out duties such as: monitoring the integrity of the Group and Parent Company's financial statements and reviewing significant financial reporting judgements contained within them, reviewing the Group's internal financial controls and the Group's internal control and risk management system, reviewing the effectiveness of the Group's internal audit function and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process.

Further information on the role and activities of the Audit Committee can be found in the Audit Committee report on pages 87 to 94.

Remuneration Committee

The members of the Remuneration Committee are listed in the table on page 98. All Committee members are considered by the Board to be independent.

Marion Sears, the Committee Chairman, has served on the Committee since 2013 and therefore has requisite experience to chair a remuneration committee. We previously announced that Marion will retire from the Board at the conclusion of the AGM to be held on 29 April 2020.

The Board had anticipated that Claire Thomas would succeed Marion as Chairman of the Remuneration Committee on that date, however, Claire stepped down from the Board on 1 February 2020. Following Claire Thomas' departure, if required, Marion has agreed to remain on the Board for a short time after the AGM, while the Board seeks a new Remuneration Committee Chairman.

The purpose of the Committee is to develop policy on executive remuneration in consultation with shareholders which supports the Group's strategy and promotes its long-term sustainable success. The Committee determines the remuneration packages of the Chairman, Executive Directors, senior management below board level (the Group's Regional Chairmen) and the Company Secretary. The Committee also reviews the remuneration and related policies of the wider Group workforce and the alignment of incentives and rewards with the Group's culture, taking these into account when setting the policy for Executive Director remuneration.

During the year the Committee was supported by Deloitte, who had no other connection with the Group or the Company's directors, except they provided advice to the Company on share plan matters during 2019.

The work of the Committee during the year is set out in the Remuneration Report on pages 110 to 111.

Composition, succession and evaluation

Board appointments, succession and diversity

Nomination Committee – Board appointments and succession

The Board's Nomination Committee leads the process of Board appointments, ensures plans are in place for orderly succession to the Board and senior management positions and oversees the development of a diverse pipeline for succession.

When considering the appointment of new Directors, the Nomination Committee determines the skills and experience which would be of benefit to the composition of the Board and then evaluates candidates' skills, knowledge and experience to determine which candidate would be most suitable. All nominations by the Committee are made on the basis of merit and overall suitability, taking into consideration the diversity of the Board.

Further details of the Nomination Committee's work during 2019 can be found in the Nomination Committee report on pages 84 to 86 of this report.

Board changes

Dave Jenkinson has informed the Board of his wish to step down as Group Chief Executive in due course. He has signalled his intention early to give the Board good time to recruit a successor and the Nomination Committee will begin the search. Dave was appointed Group Chief Executive on 26 February 2019, having been Interim Group Chief Executive since 31 December 2018 and, prior to that, Group Managing Director.

The Nomination Committee, assisted by Egon Zehnder, conducted a thorough search for a new Chief Executive, both within the housebuilding sector and more widely. During the process it became clear to the Board that Dave was the best candidate for the role. Dave has extensive housebuilding experience having been with the Group for 23 years. During the appointment process Dave expressed a strong commitment to driving improvements in the Group's customer care and build quality. This commitment has already been demonstrated by actions taken by the Group during 2019.

During the year the Nomination Committee agreed that the Board would benefit from the appointment of an additional Independent Non-Executive Director with expertise in strategic HR matters. The search for a suitable candidate was again assisted by Egon Zehnder. The search process was thorough and resulted in the appointment of Claire Thomas with effect from 1 August 2019. Claire was also appointed to the Company's Remuneration and Nomination Committees on the same date.

Following her appointment Claire Thomas received a thorough and formal induction. This consisted of one-to-one meetings with the Executive and Non-Executive Directors, the Company Secretary and senior management covering our housebuilding operations, Health & Safety, finance, internal audit, IT, HR, legal, tax and treasury.

On 15 January 2020 the Board announced Claire's resignation from the Board, effective 1 February 2020, to pursue other interests. Claire made a positive contribution during her time and the Board wishes Claire every success for the future.

The Board is mindful of the need for board refreshment and succession. Accordingly, on 21 October 2019 the Company announced that Marion Sears, Independent Non-Executive Director and Chairman of the Remuneration and Corporate Responsibility Committees would retire from the Board at the conclusion of the AGM to be held on 29 April 2020. Following Claire Thomas' departure on 1 February 2020, if required, Marion has agreed to remain on the Board for a short time after the AGM, while the Board seeks a new Remuneration Committee Chairman.

During her seven years with Persimmon Marion Sears has made a significant contribution to the development of the Group, especially in relation to implementing best practice executive remuneration and promoting the corporate responsibility/sustainability agenda across the Group. The Board thanks Marion for her dedicated service and wishes her every success in her future endeavours.

Joanna Place will join the Board as an Independent Non-Executive Director from 1 April 2020. Joanna will also join the Company's Remuneration and Nomination Committees on the same date and will also Chair the Corporate Responsibility Committee.

Since July 2017, Joanna has been the Chief Operating Officer of the Bank of England with responsibility for the day to day management of the Bank including finance, technology, information and physical security, human resources, property, and procurement. She has over 30 years of experience at the Bank of England, including leading teams in banking, statistics and regulation. Before her appointment as COO she was the Bank's HR Director for three years. The recruitment of Joanna Place was assisted by Egon Zehnder, an external search consultancy.

The Board is in the process of identifying and appointing a further Non-Executive Director with construction sector experience, in line with the recommendation from the Independent Review.

Succession

Succession planning for the Board, Senior Management and the Group's operating businesses is a key area of focus for the Nomination Committee, whose report can be found on pages 84 to 86 of this document.

Diversity

The Board understands and has regard to the benefits of diversity, including gender diversity. As at 31 December 2019 the Board was 38% female and we had 40 female colleagues in our 193 strong senior management team. When Joanna Place joins the Board on 1 April 2020 females will make up 38% of the Board.

The Group has a Diversity Policy (see page 42), the objective of which is to ensure that appointments are made on the basis of merit and suitability taking into account diversity, including gender. There are no specific targets for levels of diversity for the Board or for the Group as a whole, however the Group has a Gender Diversity Panel whose remit includes considering methods the Group might adopt to attract more women into the business and increase female progression into senior roles.

Gender Diversity Panel

During 2018 the Group established a Gender Diversity Panel consisting of senior female employees from across the Group. Their remit is to consider how the Group can attract more women into the business and what, in the Panel's view, can be done to increase female progression into senior roles. We recognise that increasing diversity will take a long term commitment. As a direct result of their recommendations, in 2019 the Group introduced a flexible working policy for office-based employees and established a programme of school engagement, led by female managers from our operating businesses, to support the diversity of our apprenticeships and training programmes.

During 2019 the Panel reviewed the take-up of the newly introduced flexible working policy for office-based employees and the progress of the Group's Construction Ambassadors programme. The Panel also considered the Group's maternity pay policy and how the Group could support female employees to develop their careers to their full potential.

Board skills, experience and knowledge

Robust scrutiny and the pooling of expertise from different industry sectors forms the basis of all strategic decisions made by the Board.

The Nomination Committee continues to review the composition of the Board and the skills and diversity of the Directors and will make further appointments where it considers them necessary.

As noted on page 73 the Board is in the process of identifying and appointing a further Non-Executive Director with construction sector experience, in line with the recommendation from the Independent Review. The Company will make an announcement regarding this appointment once that process is completed.

Annual evaluation and re-election

The Board's policy is to undertake an annual evaluation of its performance and that of its Committees and Directors, with an externally facilitated evaluation at least every three years. During 2019 the Board undertook a formal, rigorous internal evaluation, see page 86. The next externally facilitated annual evaluation will occur in 2021.

Re-election

Roger Devlin, David Jenkinson, Mike Killoran, Nigel Mills, Rachel Kentleton and Simon Litherland will stand for re-election by shareholders at the forthcoming AGM, to be held on 29 April 2020. Joanna Place will stand for election by shareholders. We announced that Marion Sears would retire at the conclusion of the 2020 AGM. Following Claire Thomas' departure, if required, Marion has agreed to remain on the Board for a short time after the AGM, while the Board seeks a new Remuneration Committee Chairman. Therefore Marion may stand for re-election at the forthcoming AGM.

The Board supports the re-election of all of the Directors. It considers that the Executive Directors have the skills and experience necessary to manage the business and deliver the Group's strategy and the Non-Executive Directors have the skills to support and challenge the Executive Directors. Each of the Non-Executives being re-elected has individually shown a high level of independence and commitment to their roles and is considered by the Board to be independent. The Board considers that Joanna Place has a great breadth of management experience, particularly in human resources gained during the course of her 30-year executive career at the Bank of England, which will be of great benefit to the Company.

The biographies of the Directors, including their experience, skills and contributions can be found on pages 74 to 75 of this report.

Use of external search consultants

As described elsewhere in this report, the Board or its Committees have during the year engaged two executive search firms, being Egon Zehnder and Russell Reynolds Associates, to provide assistance in relation to specific candidate searches and/or succession planning. Egon Zehnder does not have any other connection to the Company or any Director of the Company.

Significant shareholdings

The disclosures required under Listing Rule 9.8 can be found in the table below, the Statement of Directors' share interests on page 114 and details of the authority for the Company to purchase its own shares on page 97. As at 31 December 2019 and as at 26 February 2020, the Company had been notified under the Financial Conduct Authority's Disclosure Guidance and Transparency Rule 5 of the following interests in the voting rights of the Company:

	As at 31 December 2019		As at 26 February 2020		
Name	Number of voting rights[1]	% of total voting rights	Number of voting rights[1]	% of total voting rights	Nature of holding
BlackRock Inc	16,718,253	5.43	16,718,253	5.43	Indirect

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

Nomination Committee Report

"Persimmon is an organisation were talent is identified, nurtured and promoted, regardless of an employee's background. The Committee is therefore particularly pleased to see that the Group became a signatory to the Social Mobility Pledge and a member of The 5% Club during the year."

Roger Devlin
Chair of the Nomination Committee

Nomination Committee meeting attendance 2019

Member	Meetings attended	Percentage of meetings attended
Roger Devlin	4/4	100%
Nigel Mills	4/4	100%
Marion Sears	4/4	100%
Rachel Kentleton	4/4	100%
Simon Litherland	4/4	100%
Claire Thomas*	2/2	100%

* Claire Thomas was appointed to the Committee on 1 August 2019 and resigned from the Committee and Board on 1 February 2020.

On behalf of the Board, I am pleased to present our report on the work of the Nomination Committee during 2019.

During the year, the Committee recommended two new appointments to the Board, continued to work on succession at Board and Committee levels and across the business, and on supporting a diverse pipeline of talent. The Group has a strong track record of enabling social mobility. Persimmon is an organisation were talent is identified, nurtured and promoted, regardless of an employee's background. The Committee is therefore particularly pleased to see that the Group became a signatory to the Social Mobility Pledge and a member of The 5% Club during the year (see Strategic Report, page 42).

Improving the Group's gender diversity is a long term undertaking and an industry wide issue, but it is pleasing to see that the number of females recruited into the business increased in 2019, compared to 2018. We are aware of the targets set by the Hampton-Alexander Review to increase the number of women in senior roles; as at 31 December 2019 the Board was 38% female.

During the year the Company participated in the Hampton-Alexander survey, the results of which were published in November 2019.

Following feedback from the Group's Gender Diversity Panel the Group took action during 2019 to improve its flexible working policy and from 2020 we will enhance maternity pay, but we appreciate that there is more to do.

The members of the Nomination Committee are: Roger Devlin (Committee Chairman), Nigel Mills, Marion Sears, Rachel Kentleton and Simon Litherland. Claire Thomas was appointed to the Committee on 1 August 2019 and resigned from the Committee on 1 February 2020 when she resigned from the Board.

Board appointments

Group Chief Executive

The Committee's focus at the beginning of the year was to appoint a Group Chief Executive. The Committee, supported by Egon Zehnder, an executive search firm, conducted a thorough search both within the housebuilding sector and more widely. Following the search process it was clear to the Committee that Dave Jenkinson was the best candidate for the role.

Dave has informed the Board of his wish to step down as Group Chief Executive in due course. Under his leadership, Persimmon has invested in a range of customer care and quality initiatives, prioritised customers over volume and became the first UK housebuilder to implement a Homebuyer Retention Scheme. The Nomination Committee will begin the process to recruit a successor. Dave has the full support of the Board and will continue to do so until he leaves.

Dave has been with the Group in a number of roles for over 20 years, including as Group Managing Director. He was a member of the board for over five years before his appointment to Group Chief Executive, with particular responsibility for land investment.

Independent Non-Executive Directors

On 17 February 2020 the Company announced that Joanna Place, the Chief Operating Officer of the Bank of England, would join the Board as an Independent Non-Executive Director, from 1 April 2020. Joanna will join the Nomination and Remuneration Committees, in addition to chairing the Corporate Responsibility Committee. Joanna brings many years of executive experience covering areas such as banking, technology, human resources and procurement. We are confident that Joanna's knowledge and insight will make a valuable contribution to the Board.

The Committee was supported by Egon Zehnder, an executive search firm, in the recruitment of Joanna Place.

In 2019 the Nomination Committee recommended the appointment of Claire Thomas as an Independent Non-Executive Director. Clare is a highly experienced HR leader and, at the time, was Senior Vice President of HR at GlaxoSmithKline Plc (GSK). The Committee valued Claire's extensive experience of advising boards of directors, supporting remuneration and nomination committees and succession planning. The Committee recommended that Claire Thomas be appointed Independent Non-Executive Director and this was approved by the Board, effective 1 August 2019.

Claire informed the Board of her wish to step down, effective 1 February 2020, to pursue other interests. The Committee and Board were disappointed that Claire had decided to leave the Company given that she had made a positive contribution during her time on the Board.

During 2019 the Committee identified that the Board could be strengthened by the appointment of an additional Independent Non-Executive Director with construction experience (in line with the Independent Review's recommendation). This search is ongoing and we will provide an update once the process is completed.

Succession planning

The Committee regularly reviews the composition of the Board and its Committees and considers the skills, experience and length of service of Board Directors.

During the year the Committee considered the Group's succession planning. Whilst the Group has a strong record of nurturing and promoting internal candidates, the Committee and the Board agree that there is also a need for a balance with external recruitment.

Supporting a diverse pipeline

The Nomination Committee understands the importance of diversity both on the Board and in the Group's workforce. The Committee has regard to this, and the Hampton-Alexander and Parker Reviews, when making Board appointments and when considering succession. The Group has an Equal Opportunities Policy, details of which are set out on page 97 of this report.

The Group is part of the Home Builders Federation ('HBF') Diversity and Inclusion Group with the aim of developing a more diverse and inclusive workforce across the industry. We are also a member of the Apprenticeship Diversity Champions Network (ADCN), part of the National Apprenticeships Service to demonstrate our open and inclusive culture in recruitment and employment practices.

Gender diversity

The Group has considered how it can increase the gender diversity of its employees at all levels. The Board established a Gender Diversity Panel in 2018 to consider and suggest policy amendments and initiatives to improve the Group's gender diversity. The Panel recommended a revised flexible working policy for office based staff, which was introduced in February 2019. Enhanced maternity pay has also been introduced and the Group has adopted the Construction Ambassadors programme with schools and colleges to outline training and career opportunities in the housebuilding industry, with a focus on women. Further information on the actions of the Group to improve diversity is set out in the Strategy Report, see pages 41 and 42.

The Board will work to increase the diversity of the Group. The Group recruited 13% more females than males during 2019, when compared to 2018; amongst the Group's salaried workforce, 43% of new hires were female, compared to 40% in 2018.

Gender balance

The Group's Gender Pay Gap reports are available on our corporate website at www.persimmonhomes.com/corporate. The report for 2019 will be published on 17 March 2020.

The median Gender Pay Gap for the Persimmon Group was 12.4% in 2019 (2018: 8.0%), compared to the Office for National Statistics figure for 2019 of 17.3% (2018: 17.9%). As at 31 December 2019 the gender balance of the Group was 25% female and 75% male. The gender diversity of the Board was 38% female at 31 December 2019. The Group's Gender Pay Gap is driven by the shape of our workforce with a higher proportion of men in skilled construction roles (such as quantity surveying and site management), the market for which is competitive.

Ethnic and Cultural diversity

The Nomination Committee understands the importance of ethnic diversity on the Board and within the Group's workforce. The Committee has regard to this and the Parker Review when making Board appointments and when considering Group succession. The Company participated in the Parker Review during the year; all of the Company's Directors are of white European heritage. Persimmon has an open culture; in the Employee Engagement Survey conducted in January 2020, 89% of respondents agreed or strongly agreed that all people were welcome in the Group, regardless of culture, background or religious beliefs (compared to 77% of respondents in the wider building and construction sector).

Social mobility

During the year the Group became a signatory to the Social Mobility Pledge and a member of The 5% Club, demonstrating the Group's commitment to, and track record of, providing employment, training and development opportunities to people from all backgrounds, thus enabling the Group's employees to have skilled, fulfilling and prosperous careers.

Board evaluation

During the year, the Board undertook its annual evaluation of its performance and that of its committees. This was an internal evaluation, conducted by the Chairman and Company Secretary.

Directors provided written feedback to the Chairman concerning areas they consider the Board and its Committees perform well and where they consider improvements can be made. The Chairman, Committee Chairmen and the Company Secretary reviewed the submissions. Following the evaluation the Board is:

- Considering carefully the purpose and culture element of the Independent Review's recommendations and will provide an update at the AGM in 2020;
- Continuing to assess the expertise required at Board level;
- Continuing to work on formalising the Group's succession plans, both at Board and senior management level; and
- Arranging for additional department heads to present at Audit Committee meetings.

In addition to the internal Board evaluation, the Senior Independent Director undertook an annual evaluation of the Chairman's performance. He met privately with all of the Non-Executive and Directors. He reported on the results of that evaluation to the Board (without the Chairman present) and gave feedback to the Chairman. Following that evaluation it is considered that the Chairman continues to perform well in his role.

In addition to the Board and Committee evaluations, the Chairman undertook an annual verbal performance evaluation of the Executive Directors' performance and an evaluation of Non-Executive Directors. The Chairman also met with the Non-Executive Directors without the Executive Directors being present.

The Chairman is satisfied that all Directors continue to perform well in their roles and contribute effectively.

Roger Devlin
Chairman of the Nomination Committee
26 February 2020

Chair's introduction to the Audit Committee Report

"In the past year the Audit Committee has focused on driving continuous operational and quality improvement through the work of our Internal Audit department and the strengthening of the Group's second line of defence controls. As a committee, we ensured that the actions being taken to implement the customer care improvement plan were subject to the appropriate level of supervision. Maintaining a high quality external audit continues to be a key priority of the Audit Committee. We continue to work with our external auditor to support further developments in this area."

Rachel Kentleton
Chair of the Audit Committee

Audit Committee meeting attendance 2019

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

I am pleased to present the Group's Audit Committee Report for the year ended 31 December 2019. The report sets out the priorities and activities of the Committee for the year.

The Audit Committee met four times during the year and all members of the Committee attended each of the meetings. In addition, we held discussions privately with the external auditor, the senior management team and the Group Internal Audit Manager, to consider feedback from the external and internal audits.

One of the primary duties of the Audit Committee is to monitor the effective governance and integrity of, the Group's financial reporting. The Committee reviewed both the Half Year Report and the Annual Report for the financial year ended 31 December 2019 and the related regulatory disclosures. At the request of the Board, the Audit Committee considered and is satisfied that the 2019 Annual Report taken as a whole is fair, balanced and understandable and provides the necessary information to assess the Group's position, performance, business model and strategy.

The key theme of the Audit Committee for 2019 was continuous operational and quality improvement through the work of our Internal Audit function, strengthening the Group's second line of defence and assuring a high quality external audit.

Internal audit

During 2019, the Group Internal Audit department has implemented recommendations made as part of its external review by the Chartered Institute of Internal Auditors in late 2018. This has contributed to improvements in the annual audit planning process and various audit file administrative matters and procedural documentation, including the Group's Internal Audit Charter sponsored by David Jenkinson, Chief Executive and Rachel Kentleton, Audit Committee Chairman. The reporting of Group Internal Audit to the Committee has been enhanced with increased use of dashboards and graphical representation of data, notably in relation to the follow-up of recommendations and the implementation of the Group's customer care improvement plan. Further amendments have been made to ensure full alignment with the Internal Audit Code of Practice recently issued by the Chartered Institute of Internal Auditors.

Chair's introduction to the Audit Committee Report *continued*

Second line of defence

The Group's control environment has been strengthened with an expansion of activities within the second line of defence functions. This has included introduction of the Group Regulatory Director role, the appointment of the Group Construction Champion, establishing the Construction Working Group, engaging a Group wide team of Independent Quality Inspectors (focused on construction quality) and further resource for the Group Training department. Second line departments have also presented updates to the Committee on a regular basis, detailing their control activities and improvement plans. The development of consolidated Group processes and standards for the construction of new homes, 'the Persimmon way', together with an aligned supervision and inspection regime is a key priority for the coming year, in support of the implementation of the Group's customer care improvement plan.

The Audit Committee will provide support to the Construction Working Group through the Group Internal Audit department's involvement in these developments.

External audit

In order to assure that the external audit, conducted by Ernst & Young LLP ('EY'), remains effective and of a high quality, I engage with EY's lead audit and senior partners regularly. To further improve the effectiveness and quality of the audit, during 2019 we introduced more robust feedback from both EY and the senior management team on the process of the audit, including a formal survey of the Audit Committee and senior management; EY increased their reporting to the Committee to include additional explanation of any matters they wanted to raise; we held an Audit Academy Day with members of the audit team and senior management. The Academy Day helped to further develop engagement between the auditor and the business and improve understanding of business progress and audit processes. Topics covered included a business update; EY's audit plans; explanation of increased use of technology by the auditor; an Internal Audit update and a technical update. I attended the Academy Day to provide perspective and guidance from the Audit Committee.

To enable the Audit Committee to monitor the performance, independence and objectivity of the external audit, the audit committee follows a formal cycle and audit planning timetable, which includes review of a detailed audit plan by the Committee, updates to that plan, if required, following feedback from the half year review, the scope of the external audit plan is then agreed. We then carefully monitor the audit as it progresses. During 2019, to ensure that the audit remains of a high quality, we increased the level of more direct engagement between the external audit team and the Group's wider senior finance team. EY have maintained a consistent core senior audit team, making the audit most effective. As a result of the changes to assure the quality of the audit, the Committee agreed it was appropriate to increase the fee for the external audit. Further details are set out in the report.

The Committee monitors and reviews the effectiveness of the Group's Internal Audit department. It was considered appropriate to re-name the department (previously the 'Group Risk' department), to more accurately reflect its activities and responsibilities. The Committee designs the annual internal audit plan with the Group Internal Audit Manager, reviews the findings of internal audit reports and monitors follow-up actions. The Chartered Institute of Internal Auditors has issued a new Internal Audit Code of Practice, which came into force in January 2020. The Group Internal Audit department has made appropriate changes to achieve full compliance with the provisions of the Code, including updating the relevant sections of the Group's Internal Audit Charter and publishing the Charter via the Persimmon plc corporate website.

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

Rachel Kentleton
Chair of the Audit Committee

Audit Committee Key Duties

The key duties of the Audit Committee are:

- Monitor the external audit and review its quality and effectiveness;
- Review of the work of the Internal Audit department (previously known as the Group Risk Department) including the findings of internal audit reports;
- Review of the Annual Report, Half Year Report and of the related financial and trading announcements;
- Assessment of significant judgements;
- Review of Group’s Strategic Risk Register, Principal Risks and Viability Statement; and
- Monitor the effectiveness of internal controls and the risk management framework.

Further details are set out below.

Audit Committee Composition

There are three independent Non-Executive Directors who make up the Audit Committee, Rachel Kentleton (Chairman), Marion Sears and Simon Litherland. There were no changes to the composition of the Committee during the year. We have announced that Marion Sears will retire from the Board at the conclusion of the Company’s AGM on 29 April 2020. However, if required, Marion may remain on the Board for a short time pending the appointment of a new Remuneration Committee Chairman. The Board is currently recruiting an additional Non-Executive Director, with skills in a sector relevant to Persimmon to join the Audit Committee.

In terms of the current mix of skills Rachel Kentleton is a qualified and practicing accountant with relevant financial experience and considerable experience of operations in consumer facing businesses with long-term investment cycles from her role as Finance Director of PayPoint plc and her prior roles as Group Director, Strategy & Implementation at easyJet plc. Simon Litherland is a qualified accountant and, as Chief Executive Officer of Britvic plc, has many years of leadership, business and finance experience in a consumer facing industry. Marion Sears has served on a number of audit committees both for operating companies and for investment trusts. Given the broad experience and expertise of the Committee members, the Committee as a whole has relevant skills and experience.

How the Audit Committee cycle works

There is an annual cycle for review of audit planning and the other key actions of the Audit Committee. Planning for the current year’s audit begins in the spring and evolves throughout the year, taking into account the results of the previous year’s audit, progress of the business and results of the review of the Half Year Report. In addition, the Committee holds discussions privately with the external auditor, the senior management team and the Group Internal Audit Manager to consider feedback from the external and internal audits and to review the independence and objectivity of both the external an internal auditor. The normal cycle of the Committee is set out below:

	Audit Committee Action
April	Agree external audit strategy and strategy for external auditor review of Half Year Report
	Review draft audit plan
	Formal review of performance of previous external audit begins
	First quarter Internal Audit Report Reviewed
August	Review of Half Year Report
	Review results of external auditor report on their review of Half Year Report
	Private Review with management of feedback on external auditor performance
	Private meeting with external auditor
	Second quarter Internal Audit Report Reviewed
December	External audit plan finalised and agreed
	Following year’s Internal Audit Plan agreed
	Strategic Risk Register and Principal Risks review
	Review of Committee Terms of Reference
	Third quarter Internal Audit Report Reviewed
February	Review of Annual Report, including whether it is fair, balanced and understandable
	Review of external audit results and report
	Assessment of internal control effectiveness/ appropriateness
	Private meeting with external auditor
	Assessment of independence of the auditor
	Final Internal Audit Report Reviewed
Annual	Shared equity status
	Group Tax Status Report
At least Triannual	Provision of non-audit services from Ernst & Young

Priorities and Main Activities during the year

The Audit Committee's priorities and its main activities for the 2019 financial year are set out below.

1. Monitor the external audit and review its quality and effectiveness

A key responsibility of the Audit Committee is to monitor the effectiveness and quality of the external audit. As can be seen from the Audit Committee cycle, planning for the annual audit begins early in the year with the Committee agreeing with the auditor the year's audit strategy. Before commencing their audit, EY prepared a detailed draft audit plan for review by the Committee, including the strategy for the auditor's review of the Half Year Report. The 2019 plan was informed by the experience gained from the 2018 audit which helped to form the basis of the audit strategy for the year. The Committee reviews the draft plan and agrees the scope of the audit and of the Half Yearly review with EY. The 2019 plan identified EY's assessment of the key risks for audit consideration in the year and overall Group materiality. During the year, to further improve the effectiveness and quality of the audit, we introduced more robust and wider feedback from both EY and the senior management team on the process of the audit, to give better information to the Committee. In addition, EY increased their reporting to the Committee to include additional explanation of any matters they wanted to raise. It was also agreed that there would be more engagement between the Audit Committee Chairman and the lead Audit Partner, and that there would be more direct engagement between the external audit team and the Group's wider senior finance team. EY maintained a consistent core senior audit team, which the Committee believes makes the audit most effective.

We held an Audit Academy Day in September, with members of the audit team and senior management, including the Chief Executive and Finance Director. The Academy Day helped to further develop engagement between the auditor and the business and improve understanding of business developments and audit processes. Topics covered included a business update; EY's audit plans; explanation of increased use of technology by the auditor; an Internal Audit update and a technical update. The Committee Chairman also attended the Academy Day to provide perspective and guidance from the Audit Committee.

The Audit Committee monitors the performance and the objectivity of the external auditor throughout the year, before receiving a report and presentation of the audit results. EY presented their 2019 audit results to the Committee in February 2020. The significant financial risks identified, being consistent with the prior year, were revenue recognition, the carrying value of the Group's land and work in progress (including the accuracy of cost recoveries), and the carrying value of the Group's shared equity receivables. As in the previous year, the other areas of audit focus included impairment of goodwill and intangible assets; accuracy of current tax accrual and deferred tax balances; valuation of the Group's defined benefit pension scheme obligations, and share-based payments. In 2019, EY also included customer care, reputation and supplier payment arrangements as areas of audit focus.

EY have been the Group's auditor since April 2016, the firm was appointed following a competitive tender exercise involving three leading audit firms and this is their fourth year of audit. The lead audit partner is Peter McIver, who has held the role since April 2016. Assessing the performance of the external auditor is a continual process, but the Committee also undertake a formal review annually. The Committee takes into consideration the quality and depth of the auditor's report, their planning and strategy for undertaking the audit, the quality of the personnel undertaking the audit and senior management's view of the performance of EY. Following the work completed for the 2019 audit, the Audit Committee continues to consider that the performance of EY remains satisfactory. The Audit Committee does not plan to put the statutory audit services engagement out to tender in 2020 and we have recommended to the Board that Ernst & Young be re-appointed auditor.

The Committee monitors the independence and objectivity of the auditor and of the senior engagement partner throughout the audit process with a formal review annually. It also considers whether the auditor has demonstrated an appropriate mind set, including professional scepticism. As part of that process, the Committee holds private meetings with members of the EY audit team without management present to discuss the auditor's assessment of the business risks and management's activities with regard to those risks, the transparency and openness of interactions with management and confirmation that there has been no restriction in scope placed on them. The Committee also reviews and discusses the quality of the audit planning reports and the results of the audit with senior members of the management team. Following the most recent formal review of auditor independence, which took into consideration a report from EY on the auditor's own independence controls and the level of audit fees and non-audit fees paid to the auditor, the Committee continues to consider that EY and Peter McIver, lead audit engagement partner, remain independent.

In addition, the Audit Committee has reviewed EY's assessments as to whether the Group should properly be considered as a going concern; their evaluation of the Viability Statement and their requirements as auditor to address the Board's application of the UK Corporate Governance Code (see independent auditor's report on page 122).

The Company has complied with the provisions of the Statutory Audit Services Order 2014.

The Committee formulates and oversees the Company's policy on monitoring the objectivity and independence in relation to non-audit services. This policy was last reviewed in detail in 2017 and will be reviewed again in detail in 2020. In order that the nature of any non-audit services performed by the auditor and the fee earned for that work relative to the fees earned for the audit do not compromise, and are not seen to compromise the auditor's independence, objectivity and integrity, the auditor is excluded from undertaking a range of work on behalf of the Group.

This includes appraisal or valuation services, management departments and litigation support, actuarial services and legal or remuneration services on behalf of the Group. The Auditor may be commissioned to provide audit related services and permitted non-audit related services with the specific approval of the Audit Committee. There was compliance with the non-audit related policy during the year.

The fee paid to Ernst & Young LLP for their audit work for the 2019 financial year was £305,000, details are set out on page 141. Additionally, audit related fees of £50,000 were paid to the auditor for their work on their review of the Group's 2019 Half Year Report. In addition, the Company paid £4,325 for the audit of the 2018 annual report of the Persimmon Charitable Foundation. The ratio of audit fees to non-audit fees for the year was therefore 5.6:1. The fee has increased on the amount payable for the 2018 audit, partly in order to meet the additional time that the auditor has spent in the business and an increased number of site visits, and to support the quality of the audit.

2. Review of the work of the Internal Audit department

The Audit Committee monitors and reviews the effectiveness of the Group's Internal Audit department. The Group Internal Audit Manager attends each of the Audit Committee's regular meetings and to present regular Internal Audit reports. The Committee reviews and approves the Group Internal Audit annual audit plan, reviews all reports and findings of Group Internal Audit, and monitoring of follow-up actions. It meets with the Group Internal Audit Manager at least annually without management present to ensure that independence and objectivity of the Internal Audit department is being maintained. Resourcing of the Group Internal Audit department was reviewed at the last meeting, following which the Committee confirmed it was satisfied that the overall level of resource in place remains appropriate, albeit it was recognised that the department should continue to complement its skillset by engaging, where appropriate, external expertise in areas such as Information Technology and Cyber-Security.

The Group Internal Audit department works in line with the Professional Standards of the Chartered Institute of Internal Auditors and has monitored through 2019 the proposals and developments resulting in the Institutes's new Internal Audit Code of Practice, which came into force in January 2020. Through its adherence to the Professional Standards, Group Internal Audit was already largely compliant with the provisions of the Code. There were a number of minor processes and documentary amendments that the Internal Audit department has made to strengthen processes further, including updates to and publication of the Group's Internal Audit Charter.

Within 2019, the Committee reviewed reports from the Group Internal Audit function on the following matters:

Internal Audit review	Focus and key outcomes
Customer care	Early assessment of actions implemented to enhance customer care provision across the Group. In line with the measures taken to implement the Group's customer care improvement plan, a follow up will be conducted in 2020.
Health & Safety processes	Review of the Group Health & Safety department's activities. Recommendations have resulted in strengthening of administrative processes and document management.
Anti-money laundering controls	Assessment of the Group's controls to prevent money laundering identified opportunities to deliver training more effectively and refresh internal policy documentation.
Land viability processes	Review of processes to assess the viability of land prior to purchase. This review provided positive assurance that the Group's processes were working in line with expectations.
Group procurement processes	This review focused on effectiveness of Group procurement policies. This review has contributed to developments in supplier engagement, tendering and prompt payment.
GDPR compliance	Assessment of the controls implemented to ensure GDPR compliance across the Group. This has led to improved evidence trails for the performance of existing controls.
Compliance with sales processes	This review provided positive assurance on a range of compliance issues, and that processes were operating in line with Group procedures.
Site Manager training	Early assessment of the Group's new training regime for Site Managers. This has contributed to existing work on development of training plans and effectiveness reviews.
Management companies	Review of administrative processes around management company set-up and handover has led to greater clarity in Group guidance for Operating Companies.
Payment authorisation and processing controls	Transactional testing to ensure adherence to Group policies. Recommendations have contributed to system developments to reduce reliance on manual controls.
Duplicate payments analysis and recovery	Use of data analytics software to identify potential duplicate payments from across the Group. This provided assurance that controls over supplier and sub-contractor payments were generally operating effectively.
FibreNest	This review provided an early assessment of the customer facing operations of the FibreNest business. A follow up will be conducted in 2020.
Closed Sites	Analysis of data on the funding and reporting of work on closed sites provided assurance that controls were working effectively, with only minor procedural issues identified.

Group Internal Audit department also reviews all whistleblowing reports, conducting investigations where necessary, and provides details to the Committee. There were no material issues raised in the whistleblowing reports received within 2019.

3. Financial Reporting

One of the key responsibilities of the Audit Committee is to review the Group's Annual Report, the Half Year Report and the related regulatory announcements and to monitor the integrity of financial reporting. The Company's financial reports are prepared by senior management and there are appropriate verification procedures in place to ensure accuracy of the information presented.

At the request of the Board, the Audit Committee considered whether the 2019 Annual Report taken as a whole is fair, balanced and understandable and whether it provides the necessary information for shareholders to assess the Group's position, performance, business model and strategy. Following their review, the Audit Committee is satisfied that, taken as a whole, the 2019 Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. In reaching this decision, the Committee took into consideration the information it had received and discussions that had taken place during the year.

4. Assessment of Significant Financial Judgements

Assessment of significant financial judgements facing the Group and identification of the key risks of potential misstatement of the Group's financial statements is one of the Audit Committee's key responsibilities. The Audit Committee has assessed that the material financial issues of the Group for 2019 were:

- revenue recognition;
- the carrying value of the Group's land and work in progress including the accuracy of cost recoveries;
- the carrying value of the Group's shared equity loan receivables; and
- the funding position of the Group's defined benefit pension schemes

Further information on these matters is set out below.

Revenue recognition

Revenue for 2019 was £3,649m. The Committee monitors the effectiveness of the internal controls exercised over the key processes employed by the Group to ensure the accuracy of revenue recognition and associated disclosures. Misstatements that occur in relation to revenue recognition could materially affect the revenue in the income statement, particularly in relation to revenue being recorded in the wrong period, due to cut off errors or management bias. The analysis of total Group revenues is found at Note 5 to the Financial Statements. Revenue recognition is a key area of focus for the external auditors, who have deployed data analytics tools and detailed transactional testing to provide positive assurance on the accurate recording of revenue and cut-off controls. The Committee has also assessed the Group's approach to the recording of revenue from Housing Associations. Following this review the Committee is satisfied that the Group's processes are operating effectively.

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

The carrying value of the Group's land totalled £1,939m at 31 December 2019, the carrying value of work in progress on site totalled £1,095m and the cost of sales was £2,519m. Rigorous processes in relation to land and work in progress valuations and profit recognition are essential to ensure that the carrying value of inventories and the period income statement are accurately reported. There is a risk that the carrying value of land and work in progress could be subject to impairment write-downs should market conditions deteriorate significantly. The carrying value of inventory is determined by reference to a number of judgements which are subject to management estimation and is assessed for impairment by reference to current market inputs and assumptions. The Committee continues to monitor the Group's key processes and the effectiveness of controls over its investment in site development activities and the valuation of work in progress. Bi-monthly meetings are held in each Operating Company to review the valuation of work in progress at each site. These meetings are chaired by the Group's independent Commercial department, and are also attended periodically by members of Group Internal Audit to monitor and report to the Risk and Audit Committees on management's adherence to the Group's policies and procedures.

The Committee has again reviewed management's assessment of the net realisable value of the Group's land and work in progress held at 31 December 2019. The Committee concluded that the approach adopted by management supported the asset carrying values.

Carrying value of shared equity loan receivables

There are second charge loans remaining due to the Group under shared equity contracts previously entered into with some of its customers of £68.6m at 31 December 2019. These are reported as 'shared equity loan receivables' on the Group's balance sheet.

There is a risk that this balance could be misstated, given that the fair value of these assets is based on a number of assumptions which contain inherent uncertainties and which require management judgement. The Committee monitors the effectiveness of internal controls exercised over the key processes that are employed by the Group in managing these second charge loans. This includes reviewing of reports on the performance of the shared equity portfolio submitted by the Group Regulatory Director on a six-monthly basis. The Group Internal Audit department also carries out periodic reviews on processes and controls associated with the ongoing management of shared equity loans, as undertaken by management and the appointed Financial Conduct Authority regulated third party agent, and reports on these to the Committee.

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

The Committee considers that the Group management's application of its accounting policies has resulted in a carrying value which appropriately reflects the inherent risks of recoverability of these shared equity loan receivables.

Defined benefit pension schemes

The funding position of the Group's defined benefit pension schemes is dependent on a range of assumptions, including life expectancy of the pension scheme members, future rates of inflation and long term discount rates. Members of the Audit Committee received an update on the Group's defined benefit pension schemes in January 2020 from the Group's pension scheme actuary. The schemes had a combined surplus on an accounting funding basis of £77.6m at 31 December 2019 (2018: £90.6m). See note 27.

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

The Audit Committee conducts regular reviews of the Group's detailed risk registers, the Principal Risks to the Company's business model (see pages 58 to 63), and the viability and prospects of the Company and its Viability Statement (see pages 64 to 65). The Committee conducted a review of the Group's Strategic risk register, including its Principal Risks.

Following this review, the Group's Principal Risks were updated to include Cyber and Data Risk, reflecting the increased use of digitised processes within the Group. Details of all of the Group's Principal Risks and the Group's mitigation of those risks are set out on pages 58 to 63.

In considering the Company's prospects and viability the Audit Committee considered a number of potential scenarios as described in the Company's Viability Statement on pages 64 and 65. These scenarios included the stress testing of the Group's business model assuming that a combination of events resulted in a substantial reduction in sales over a relatively short period of time, coupled to reduced average selling prices and asset impairments. The stress tests were guided by the experience gained from the management of the business through the Global Financial Crisis from 2007 to 2010.

Based on the outcome of this assessment, the Committee considers 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 2024.

6. Other key actions

Customer Care Improvement Plan

The Committee is receiving regular reporting from Group Internal Audit on the progress in implementing the Group's customer care improvement plan. The reporting includes monitoring of customer care resource levels, accuracy of moving in dates, and training delivery.

Cyber Risk Action Plan

The Committee receives regular updates from the Group IT Director on developments in cyber security measures, as set out in line with the '10 steps to cyber security' framework issued by the National Cyber Security Centre. The Group has recruited additional resource within 2019 to further strengthen controls in this area.

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

- full review of liquidity risk and whether the Group can continue to adopt the going concern basis in preparing the accounts;
- Changes to Payment authorisation and processing controls made to speed up payment performance and meet Prompt Payment Code requirements (the Group was reinstated to the Prompt Payment Code on the 7th January 2020); and
- review of the Group's tax status and tax strategy.

Internal control and risk management

The effective management of risk is central to the achievement of our objectives and delivery of the long-term sustainable growth of our business. The Board has overall responsibility for the Company's system of internal control and for the review of its effectiveness. The Audit Committee monitors the Company's system of internal control and reports to the Board on its effectiveness on an annual basis.

System of Internal Controls

The internal control environment of the Company is based upon the three lines of defence model, in line with good practice as recognised by the Chartered Institute of Internal Auditors and other oversight bodies. The first line of defence is management's day-to-day oversight of business activities, operating within a framework of standardised controls determined at Group level, including the policy and procedural framework, common IT systems, budgets, reports and regular meetings. Departments with Group wide remits constitute the second line of defence, providing guidance, direction and instruction to operating companies, supporting Group wide operations with standardised systems and processes. These departments also conduct assurance activities to ensure these are embedded effectively. During 2019, there has been an expansion of second line activities to strengthen the Group's control environment, including the introduction of a Group Regulatory Director role, the Construction Working Group, a team of Independent Quality Inspectors and further resource for the Group Training department. The Group Internal Audit department operates as the third line of defence, operating in line with the Professional Standards of the Chartered Institute of Internal Auditors to provide independent and objective assurance on the effectiveness of all aspects of risk and internal control. The Group Internal Audit department's annual audit plan is subject to review and approval by the Risk and Audit Committees. The Risk Committee monitors the effectiveness of the system of internal controls, including the review of reporting provided by the Group Internal Audit department.

The operation of the three lines of defence model is supplemented by a wider framework of internal controls and routine management oversight. Senior management from the Finance Department monitor the Group's financial management and reporting systems and continually assess the integrity and effectiveness of the Group's accounting procedures. Senior management from the Finance and Company Secretarial Departments review all financial reports and trading updates with appropriate consultation with the Group's external advisors, ensuring that such reports and statements are accurate, complete and consistent with the requirements of all relevant legislation and regulations.

Each operating business and Group department is required to report to the Group in standardised formats to ensure that all financial reporting is accurate and that all matters which may be material to the Group as a whole have been reported to the Board. Senior management reports its findings to the Audit Committee and through that Committee to the Board.

The Principal Risks faced by the Group and changes during the year are set out on pages 58 to 63.

Risk Management

The Group's risk appetite and strategy is agreed by the Board at an annual strategy meeting, held in October, and undergoes a continuous and iterative process of implementation, review and adaptation at Board meetings and in response to the evolution of conditions in which the Group operates. Management of risk is a Main Board responsibility, managed operationally by all Directors and senior managers within the Group.

The Group Internal Audit department provides support to the risk management process, and assists with the preparation, maintenance and review of Risk Registers, which include those for Operational and Group departments with additional summary registers at Strategic, Reputational and key Stakeholder levels. The department also provides a lead indicator analysis on the Group's principal risks for each meeting of the Board.

The Strategic Risk Register, including the principal risks faced by the Group, was considered by the Main Board members in the October 2019 strategy meeting and formally reviewed and accepted by the Risk and Audit Committees in December 2019. The risk register in its entirety (including operational and departmental risk registers) was most recently reviewed in consultation with selected Directors and senior management across the Group in August 2019, facilitated by Group Internal Audit. The registers are continually reviewed after each Group Internal Audit project and updated accordingly.

Risk Committee oversight

The Risk Committee reports to the Audit Committee, which oversees its activities. The primary focus of the Risk Committee is to review the work of Group Internal Audit in providing assurance on the effectiveness of risk management and internal control. The members of the Risk committee during 2019 were Dave Jenkinson, Group Chief Executive (Chairman), Rachel Kentleton, Audit Committee Chairman and Mike Killoran, Group Finance Director. In addition, Richard Stenhouse, the Group Regulatory Director, was appointed to the Committee on 15 October 2019. The Group Internal Audit Manager also attends all meetings of the Risk Committee as an advisor. There were six meetings of the Risk Committee in 2019, ensuring there has been an ongoing and robust process for the identification, evaluation and management of the main risks faced by the Group and the effectiveness of the controls in place to mitigate them. The key features of the Risk Committee's review process were as follows:

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

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

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

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

Review of the effectiveness of Internal Control

The 2019 review of the effectiveness of the Company's system of internal control has been completed and approved by the Risk and Audit Committees and by the Board. Group Internal Audit prepares this review for the Risk and Audit Committees on behalf of the Board. There were no financially material issues identified from the review; however, opportunities to improve the control environment through greater policy and procedural awareness, and reduced reliance on manual controls in certain processes, were noted.

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

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

Directors' Report
Other disclosures

Persimmon Plc (the 'Company') is the holding company of the Persimmon Group of companies (the 'Group') and is a public company listed in the UK and traded on the London Stock Exchange.

The Group's main trading companies are Persimmon Homes Limited and Charles Church Developments Limited. The Group trades under the brand names of Persimmon Homes, Charles Church, Westbury Partnerships, Space4 and FibreNest.

The subsidiary undertakings which principally affect the profits and assets of the Group are listed in note 31 to the Financial Statements. A complete list of the Company's subsidiaries and residents' management companies under its control are contained on pages 166 to 177.

Strategic Report

The management report for the purposes of the Disclosure Guidance and Transparency Rule 4.1.8.R is included in the Strategic Report on pages 1 to 71 and in the Directors' Report on pages 72 to 97. A description of the Group's future prospects, research and development, the principal risks and uncertainties facing the business and important events affecting the Group since 31 December 2019 are contained within the Strategic Report. Details of the financial risk management objectives and policies of the Group and associated risk exposure are given in note 21 to the Financial Statements.

The Board has taken advantage of s.414C(11) of the Companies Act 2006 to include disclosures in the Strategic Report including: the Principal Risks and uncertainties, future development, performance and position of the Group; the financial position of the Group, greenhouse gas emissions, R&D activities, and engagement with employees, customers, suppliers and other stakeholders.

Results and return of cash

The Group's revenue for 2019 was £3,649.4m and its consolidated profit before taxation was £1,040.8m.

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

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

As set out in the Chairman's Statement an interim dividend of 125 pence per share will be paid on 2 April 2020 to shareholders on the register on 6 March 2020 under the Company's Capital Return Plan. In addition, it is proposed to pay a final dividend of 110 pence per share, on 6 July 2020, to shareholders on the register on 12 June 2020 (2019: return of cash of 125 pence and 110 pence per share).

Going concern

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

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

Directors and Directors' interests

The current Directors of the Company and their biographical details are shown on pages 74 and 75. Details of the Executive Directors' service contracts are given in the Remuneration Report on page 106. All of the Directors served for the whole of the year, with the exception of Claire Thomas who was appointed to the Board on 1 August 2019. As explained on page 73, Claire Thomas resigned from the Board on 1 February 2020. On 17 February 2020 the Company announced that Joanna Place would be appointed to the Board on 1 April 2020.

The beneficial and non-beneficial interests of the Directors and their connected persons in the shares of the Company at 31 December 2019 and as at the date of this report are disclosed in the Remuneration Report on page 114. Details of the interests of the Executive Directors in share options and awards of shares can be found on page 113 within the same report.

Appointment and replacement of Directors

The Directors shall be no less than two and no more than 15 in number. Directors may be appointed by the Company by ordinary resolution or by the Board of Directors. A Director appointed by the Board of Directors holds office until the next following AGM and is then eligible for election by the shareholders. The Company may by special resolution remove any Director before the expiration of their term of office.

In accordance with the UK Corporate Governance Code 2018 the Board has determined that all Directors will be subject to annual re-election by shareholders. The Company's Articles of Association ('the Articles') in any event provide that at each AGM at least one third of the Directors shall retire from office and shall be eligible for reappointment and therefore each Director shall retire from office and shall be eligible for reappointment at the AGM held in the third year following their last reappointment.

Powers of the Directors

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

Capital structure

The following description summarises certain provisions of the Articles and the Companies Act 2006. This is only a summary and the relevant provisions of the Companies Act 2006 and the Articles should be consulted if further information is required. A copy of the Articles may be obtained by writing to the Company Secretary at the registered office.

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

Share capital

The Company has one class of share in issue, being ordinary shares with a nominal value of 10 pence each, which carry no right to fixed income. During 2019 1,342,324 ordinary shares were issued with a nominal value of £134,232 to employees exercising share options. The Company received consideration of £3,795,433 for options exercised under the Group's savings-related share option scheme. At 31 December 2019 the issued share capital of the Company was 318,902,385 ordinary shares with a nominal value of £31,890,239. At 26 February 2020 the issued share capital of the Company was 318,924,909 ordinary shares with a nominal value of £31,892,491. Further details are provided in note 23 to the Financial Statements.

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

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

The Directors may allot, grant options over, or otherwise dispose of shares in the Company to such persons (including the Directors themselves) at such times and on such terms as the Directors may think proper, subject to the Articles, the Companies Act 2006 and shareholders' rights. At the AGM held on 1 May 2019 shareholders gave Directors authority to allot ordinary shares up to a maximum nominal amount of £10,616,850, representing approximately one third of the Company's issued share capital as at 8 March 2019. Shareholders also gave Directors authority to disapply pre-emption rights on the issue of shares up to 5% of the issued share capital, being an aggregate nominal amount of £1,592,528. These authorities will expire at the conclusion of the AGM on 29 April 2020. Resolutions to renew these authorities will be put to shareholders at the forthcoming AGM.

Votes of members

All issued shares in the Company are fully paid and there are no restrictions on voting rights. Votes may be exercised in person, by proxy, or in relation to corporate members by a corporate representative. The deadline for delivering either written or electronic proxy forms is not less than 48 hours before the time for holding the meeting.

To attend and vote at a meeting a shareholder must be entered on the register of members at a time that is not more than 48 hours before the time of the meeting, calculated using business days only.

On a vote on a poll, each member present in person or by proxy or by duly authorised representative has one vote for each share held by the member. On a vote on a show of hands, each member being an individual present in person or a duly authorised representative of a corporation has one vote. Each proxy present in person who has been appointed by one member entitled to vote on a resolution has one vote. If a proxy has been appointed by more than one member and has been given the same voting instructions by those members, the proxy has one vote. If the proxy has been appointed by more than one member and has been given conflicting instructions, or instructions to vote for or against by one member and discretion by another, the proxy has one vote for and one vote against a resolution.

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

Transfer of shares

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

Qualifying third party indemnity provisions and qualifying pension scheme indemnity provisions

The Company has granted an indemnity in favour of its Directors and former Directors, against liability that they may incur in the course of performing their duties as Directors of the Company. The indemnity has been put in place in accordance with Section 234 of the Companies Act 2006 and remained in force on the date of approval of this report. Prior to granting the indemnity appropriate legal advice was sought by the Company.

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

Change of control provisions

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

Under his service agreement entered into in 2002 if the Company serves notice on Mr Killoran within six months of a change of control, he may terminate his employment on 28 days' notice. The provisions of the Company's share schemes may cause options and awards granted to employees under such schemes to vest on a takeover.

Emissions

The Group's greenhouse gas emissions are set out in the Strategic Report on page 50.

Employee involvement

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various financial and economic factors affecting the performance of the Group. The Group publishes an employee newsletter, 'HQ' regularly to ensure employees are kept well informed of the Group's operations. As mentioned on page 42 of this report, the Group has an Employee Engagement Panel and a Gender Diversity Panel as part of its commitment to employee engagement, diversity and corporate governance best practice. The Group regularly updates its employment policies and all employees have been issued with a staff handbook to keep them up to date with information relating to their employment. Details of how we engage with our employees are set out on page 66.

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

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

Equal opportunities

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

Financial instruments

Details of the Group's financial instruments are set at in note 21 to the Financial Statements.

Acquisition of own shares

At the AGM held on 1 May 2019 shareholders granted the Company authority to purchase up to an aggregate of 31,850,566 of its own shares. No shares have been purchased to date under this authority and therefore at 31 December 2019 the authority remained outstanding. This authority expires on 29 April 2020 and a resolution to renew the authority will be put to shareholders at the forthcoming AGM.

At 31 December 2019 the Company held no shares in treasury.

Annual General Meeting

The AGM will commence at 12 noon on Wednesday 29 April 2020 at York Racecourse, Knavesmire Road, York YO23 1EX. The Notice of Meeting and an explanation of the ordinary and special business are given in the AGM circular, which is available on the Company's website and which has been sent to shareholders.

Disclosure of information to auditors

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

Directors' responsibility

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. The Directors consider that the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Board reached this conclusion after receiving advice from the Audit Committee. Further details are provided on page 92.

By order of the Board

Tracy Davison
Company Secretary
26 February 2020

Persimmon Plc
Company registration number 1818486

Remuneration Committee Chair's Statement

"We hope all stakeholders can see the effort being placed on engagement and continuous improvement. We believe we have designed a new Policy that re-sets pay at Persimmon such that it is now both best practice and moderate, and we hope that shareholders will support it when they come to vote."

Marion Sears
Chair of the Remuneration Committee

Remuneration Committee meeting attendance 2019

Member	Meetings attended	Percentage of meetings attended
Marion Sears	6/6	100%
Roger Devlin	6/6	100%
Nigel Mills	6/6	100%
Rachel Kentleton	6/6	100%
Simon Litherland	6/6	100%
Claire Thomas[1]	2/2	100%

1 Claire Thomas was appointed to the Committee on 1 August 2019 and stepped down from the Board on 1 February 2020.

The business performance reflected our 'customers before volume' strategy: we built 15,855 homes which was a reduction of 4% compared with 2018. We invested in work in progress and slowed the rate that homes were released for sale on sites with higher demand in order to improve quality and certainty over the customer's 'moving in' date. These actions began the process of improving quality and service for our customers. We were pleased to see an increase in our scores in the most recent annual HBF survey and we believe we will attain a four star rating when the results are published in March, we have reduced the back-log of complaints, and we made great strides implementing changes we know are essential to create the sustainable business all our stakeholders want to see.

We spent 2019 working on our new Policy which shareholders will vote on at the AGM. Our new Policy reflects our values, with reward dependent on a balanced assessment of performance and it is very much in line with current best practice. Reflecting Persimmon's specific circumstances, the new Policy is market leading with regard to the pension supplement both for existing and future directors – being in line with the pension available to the workforce with immediate effect (with no compensatory adjustment); and our shareholding guidelines have been increased significantly. We consulted with shareholders about our new Policy in January and were pleased with the strong support shown. As a result of feedback we have made certain changes as detailed below.

The Committee also spent time understanding the wider-workforce remuneration arrangements and how pay is structured at each level in the organisation. We reviewed, and made some structural changes to, pay for senior management and I met with the Employee Engagement Panel to explain our approach to remuneration and to receive feedback. The average number of employees expanded to 5,097 and we voluntarily adopted the payment criteria of the Living Wage Foundation. The median total pay of our employees is £33,409 per annum.

2019 Pay

Dave Jenkinson was appointed interim Chief Executive on 1 January 2019 and appointed Group Chief Executive in February 2019. Following the quantum of LTIP awards which vested in 2017 and 2018, Dave agreed that there would be no change in his remuneration during 2019 to reflect his promotion to Group Chief Executive. Mike Killoran has been Group Finance Director since 1999. Following the quantum of LTIP awards which vested in 2017 and 2018, Mike did not receive any increase in basic salary beyond his 2017 salary. Dave and Mike did not receive any bonus or PSP award in 2018 or 2019.

Dave Jenkinson's total Single Figure remuneration in 2019 was £672,998 and Mike Killoran's was £633,074. They both continue to own sizeable shareholdings in the Company, some of which is subject to holding requirements relating either to the former 2012 LTIP rules or to their subsequent extension agreement (as explained on page 115).

New policy

A summary of the changes made in the 2020 Policy to be presented to shareholders for a binding vote at the forthcoming AGM as compared to the 2017 Policy is detailed on page 101.

The overall effect of implementing our new Policy is a reduction in the total package for existing executives at Persimmon due to the immediate pension reductions to 9% in line with the pension available to the workforce, and a reduction of the bonus payable for on-target performance.

The new Policy is also more balanced between financial and cultural metrics. Financial metrics will continue to have the majority weighting for both the annual bonus and PSP but, as we are driving cultural change in the business, we will apply a relatively high level of cultural metrics which are key to our future success. We have also added relative TSR as a PSP performance condition so that shareholders may see a link between pay and our long-term performance against our peer group. Further details on the metrics for the 2020 annual bonus and PSP are discussed below.

As noted above, under the new Policy our incumbent directors' shareholding requirement has been increased significantly from 2x salary to 5x salary and new directors will have a 4x salary shareholding requirement. To ensure longer holding periods, we have enhanced the bonus deferral so that 50% of any bonus will be paid in shares which must be held for three years, and PSP share awards vesting must be held for a further two years following the three-year performance period. A two year post-departure shareholding requirement for executive directors has also been introduced in line with best practice.

Discretion to override formulaic outcomes in relation to annual bonus awards was included in the 2017 policy and is retained, and a similar discretion is formally included for the PSP. In addition, malus and clawback provisions have been updated to reflect best practice with these provisions capable of application in additional circumstances including corporate failure, serious reputational damage and material failure of risk management.

Shareholder Consultation

We consulted with shareholders and discussed our proposed Policy and choice of metrics for 2020 implementation in detail. There was widespread general support for the new Policy with acknowledgement that the right steps have been taken. The links to our strategy, with appropriate balance between financial and non-financial metrics, were well received. We listened to feedback about how we implement the PSP performance conditions in 2020 and decided to make two amendments as set out in more detail below – the adoption of a Return on Capital Employed underpin to the cash generation element of the PSP performance condition; and an increase in the stretch in the three year HBF Customer Care target for 2020 PSP awards.

2020 Implementation

Executive Directors

With effect from 1 January 2020 we have awarded Dave Jenkinson and Mike Killoran the salaried workforce increase of +3% to basic salary and the Committee is now re-introducing performance pay. It is intended that Dave Jenkinson will be awarded a maximum bonus and PSP each at 200% quantum. The bonus quantum represents an increase from 150% which he received as Group MD and recognises his promotion to Group Chief Executive. We intend to award Mike Killoran the maximum bonus quantum of 150% and maximum PSP quantum of 200%.

Choice of performance conditions was discussed in detail with shareholders during our shareholder consultation, and these are set out later in this report. All metrics and basis of measurement will be disclosed in 2020 to provide full transparency. For the bonus metrics we selected profit before tax (pre exceptional items and goodwill) (30%), pre-land cash generation (30%), and cultural metrics (40%). In 2020 there will be three cultural metrics measuring customer satisfaction (15%), build quality (15%) and establishment of a consistent Group wide method of building, 'the Persimmon Way' (10%) which was a key recommendation arising from our recent Independent Review. Stretching targets will be used in each case with 50% vesting for target outcomes.

For the PSP metrics we selected post-land cash generation (40%), relative TSR (40%) and a cultural metric (20%). Taking into account the feedback we received from shareholders for the cash generation metric we will adopt a Return on Capital Employed underpin which will be applied as a gateway such that the three-year performance period average ROCE must exceed a set minimum for the cash element to be payable.

Remuneration Committee Chair's Statement

For the cultural metric for the PSP, we have increased the stretch in the three year HBF Customer Care target for 2020 PSP awards from 87% to 90%. This means that at the end of the three year performance period vesting will be determined by the proportion of operating companies achieving a score of 90% signifying a 5* builder. As we have recently improved our HBF scores, a 4* average underpin will also apply to this element.

On the basis set out above the on-target and maximum compensation for Dave Jenkinson would be at or below the lower end of the market compared to similar sized FTSE100 companies and FTSE100 sector peers.

Below Board Group

Pay for the Regional Chairs and Company Secretary is set by the Committee, and bonus and PSP awards are being made with performance conditions and metrics in line with the new Policy. Bonus and PSP metrics and performance conditions are the same as for Executive Directors described above with the exception that Below Board, bonus targets relate to an individual's region while PSP awards are measured for everyone against the same group targets. Shareholding requirements and holding periods also apply to this group.

Future implementation

We held extensive discussions with many shareholders about the choice of cultural metrics. The housebuilding industry generally uses the 8 week score from the HBF customer satisfaction survey but we recognise it is not a perfect measure. Once the Persimmon Way is rolled out across the Group, we have committed to independently verify its execution. Our intention is to be able to identify other robust cultural metrics which can be used in future. We will also consider whether to include measurement of customer retention release following our introduction of the retention scheme in 2019, as well as the HBF 9 month customer satisfaction score.

All shareholders expressed interest in our preparation for a low carbon economy and our strategy to mitigate the effects of climate change. We currently measure and monitor Scope 1 and 2 emissions which are independently verified. We recognise the expectation that our climate change progress should be measured and included as part of long-term executive remuneration. Therefore, while quality and customer satisfaction remains the key focus for the immediate future as we implement the findings of the Independent Review, it is anticipated that the 20% PSP cultural metric could be used to measure environmental progress in future.

Remuneration alignment with Purpose, Strategy, and Values and Outlook

During 2019, and since the Independent Review, the Board has reflected on Purpose and we will be explaining to all stakeholders in 2020 how our Purpose, Strategy and Values are aligned to build good quality homes at a range of price points across the UK. In delivering change we are focused equally on cultural and procedural ways of working and believe the emphasis of cultural metrics in the new Remuneration Policy supports our aim to create and protect value for all stakeholders through the housing cycle.

We believe the Executives have demonstrated their commitment to our new strategy by leading the focus on 'customers before volume', with their support for the Independent Review, with the increased investment in work in progress in the business and the establishment of the Persimmon Way. These activities link directly to cultural metrics in the bonus and PSP and are central to our effort to deliver on our customer care improvement plan. The financial metrics reflect the strategy to generate cash through the housebuilding cycle and there are checks to ensure land is purchased at appropriate levels and returns significantly in excess of cost of capital are maintained. The new relative TSR measure links reward to sustained outperformance of sector peers. Collectively these are important factors in ensuring overall business performance, sustainability and reputation.

We hope all stakeholders can see the effort being placed on engagement and continuous improvement. We believe we have designed a new Policy that re-sets pay at Persimmon such that it is now both best practice and moderate, and we hope that shareholders will support it when they come to vote.

I look forward to seeing shareholders at the AGM.

Yours sincerely,

Marion Sears
Chair of the Remuneration Committee
26 February 2020

Directors' future Remuneration Policy

The Remuneration Policy for Executive Directors, the Chairman and Non-Executive Directors, which Shareholders will be asked to approve at the AGM to be held on 29 April 2020 and which will apply to payments made from this date is set out below (the '2020 Policy'). Until this time the Remuneration Policy approved by Shareholders on 27 April 2017 will continue to apply (the '**2017 Policy**').

The 2017 Policy was approved by our shareholders in April 2017 with over 96% of the votes in favour. The 2017 Policy has been updated to take account of changes to the UK Corporate Governance Code, and to provide further alignment with best practice, our values, and our strategy. In summary, the changes made in the 2020 Policy as compared to the 2017 Policy are as follows.

Proposed change	2017 Policy	2020 Policy
Enhancement of bonus deferral	Any bonus earned in excess of 100% of base salary was deferred and payable in two equal tranches after 1 year and 2 years respectively.	50% of any bonus earned will be deferred into shares for a period of three years.
Reduction of on-target performance in bonus	On-target performance in the annual bonus resulted in up to 67% of the maximum award vesting.	On-target performance will result in up to 50% of the maximum award vesting.
Enhancement of recovery provisions and discretion to override formulaic outcomes	Malus and clawback provisions applied to annual bonus and PSP awards.	Malus and clawback provisions updated to reflect best practice, with these provisions capable of application in additional circumstances including corporate failure, serious reputational damage and material failure of risk management. We have also formally included within the policy, the ability to override formulaic outcomes on PSP awards, a similar discretion in relation to annual bonus awards was included in the 2017 policy and is retained.
Shareholding guideline during employment	200% of base salary.	500% of base salary for existing Executive Directors, and 400% of base salary for new Executive Directors.
Post-employment shareholding guidelines	N/A	Executive Directors will be required to retain for two years following departure the shares they were required to hold during service (or, if fewer, the shares held at departure).
Reduction in maximum pension contributions	Defined contribution pension of up to 9% of base salary and a salary supplement of between 9% and 30% of base salary, dependent upon the level of pension benefits given up.	For both existing and new Executive Directors, defined contribution pension/salary supplement of, in aggregate, up to 9% of base salary in line with the Group's salaried employees (who make up the majority of the workforce) and best practice (subject to any adjustment to take account of changes to pension provision for the Group's salaried employees).
The Persimmon 2017 Performance Share Plan (the 'PSP') performance targets	PSP performance measures limited to financial metrics.	PSP performance targets may include a combination of both financial and cultural metrics.
Service contracts	The Committee reserved the discretion to offer an initial notice period of longer than 12 months to an Executive Director recruited externally.	Service contracts will have no more than a 12 month notice period.
Other changes	Other minor amendments have been made to the 2017 Policy to aid administration and to take account of changes in practice since the 2017 Policy was approved by shareholders.	

Directors' future Remuneration Policy *continued*

Executive Directors

The 2020 Policy has been determined with the following aims:

- to align the interests of the Executive Directors, senior management and employees with those of shareholders and wider stakeholders, and to ensure appropriate alignment with values and strategic goals;
- to ensure that remuneration and incentives adhere to the principles of good corporate governance, support good risk management practice and promote long term sustainable Company performance; and
- to have a competitive mix of fixed remuneration and short-term and long-term incentives, with an appropriate proportion of the package determined by stretching targets linked to the Company's financial and non-financial performance.

To achieve the aim of the 2020 Policy, the remuneration of the Executive Directors is made up of different elements of fixed and variable pay, with a significant emphasis on performance related pay for achievement of stretching targets. If challenging performance conditions attached to variable pay are achieved in full, a substantial proportion of an Executive Director's remuneration will be performance related.

Remuneration policy for Executive Directors

Base salary

Purpose	How it operates	Maximum payable	Performance framework
Core element of fixed remuneration reflecting individual's role and experience.	Usually reviewed annually with any increases normally taking effect from 1 January. When reviewing salaries, consideration is given to business and market conditions, any increases awarded to the Group's salaried employees and any change in a Director's role and experience. Where an Executive Director is to be promoted or where their role is to be expanded or changed, the Committee will review the salary payable and decide whether an adjustment is appropriate.	The Committee does not consider it appropriate to set maximum salary levels. Any increases will generally be in line with increases applied to the Group's salaried employees (in percentage terms). Increases may be made either above or below that level in appropriate circumstances, which may include but are not limited to, promotions, where the Committee has purposefully set a lower starting salary for a newly appointed Director, or if a Director's salary is no longer market competitive or to reflect development and performance in role or a change in the size or complexity of the role.	Although performance conditions do not apply, the individual's performance is taken into account in determining the level of any salary increase.

Pension/Salary supplement

Purpose	How it operates	Maximum payable	Performance framework
Provide a competitive means of saving to deliver appropriate income in retirement.	Base salary is the only component of remuneration which is pensionable. The Company operates a defined benefit (DB) pension scheme, which is closed to new members and a defined contribution (DC) scheme. Accrual in the DB scheme is based on a career average revalued earnings (CARE) basis for all active members and normal retirement age for Directors is 60 or 65, dependent on date of appointment to the Board. A Director may receive a salary supplement in lieu of some or all of the pension benefits available under either of the schemes.	Pension accrual in the DB scheme is on a CARE basis at one-sixtieth of Pensionable Salary per year. The maximum DC pension contribution or salary supplement (or combination of those two elements) is 9% of base salary, subject to any increase to take account of changes to the pension/salary supplement provided to the Group's salaried employees.	None

Benefits

Purpose	How it operates	Maximum payable	Performance framework
Provided on a market competitive basis.	The benefits include: a fully financed car or cash car allowance, group medical scheme membership, life assurance, provision of a mobile phone (or reimbursement of mobile phone costs), and income protection scheme membership. The Committee does not currently expect to change the range of benefits offered to Executive Directors but retains the discretion to add to the benefits available in appropriate circumstances, which may include providing relocation allowances where appropriate.	The Committee has not set a maximum value of benefits for Executive Directors, but the value will be set at a level which the Committee considers to be appropriately positioned, taking into account the nature and location of the role and individual circumstances.	None

HMRC qualifying all-employee scheme

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

Annual bonus

Purpose	How it operates	Maximum payable	Performance framework
The annual bonus rewards Executive Directors for performance in the relevant year against targets and objectives linked to the delivery of the Company's strategy.	50% of any annual bonus earned is paid in cash. To further link the Executive Director's pay to the interests of shareholders, 50% of any bonus earned (subject to a de minimis limit of £5,000) is deferred into shares for three years. The Committee has the discretion to override the formulaic outturn of the bonus, including where it believes the outcome is not reflective of underlying performance or is not appropriate in the context of circumstances that were unexpected or unforeseen at the start of the bonus year. Vesting of deferred bonus awards is not subject to further performance conditions. Deferred bonus awards may incorporate the right to receive additional shares calculated by reference to the value of dividends which would have been paid on the shares up to the time of vesting. Recovery provisions apply, as referred to below.	The maximum annual bonus potential is 200% of base salary for the Group Chief Executive and 150% of base salary for other Executive Directors. Maximum bonus is only payable if stretching targets are met and excellent Company performance is achieved.	Annual bonus performance conditions are set annually by the Committee to ensure that they take into consideration the Company's strategy and the outlook for the Company over the medium term and are appropriate from a risk perspective. Financial metrics such as profit, and cash generation will have the majority weighting. Non-financial metrics such as customer care and quality, where applied, will have a minority weighting. **Financial metrics:** Subject to the Committee's discretion to override formulaic outturns, payment at threshold performance is up to 10% of the maximum, up to 50% of the maximum will be payable for on-target performance and all of the bonus will be payable for maximum performance. **Non-financial strategic or individual metrics:** Subject to the Committee's discretion to override formulaic outturns, payment of the non-financial strategic or individual metrics will apply on a scale between 0% and 100% of that element based on the Committee's assessment of the extent to which a non-financial performance metric has been met.

Directors' future Remuneration Policy *continued*

The PSP

Purpose	How it operates	Maximum payable	Performance framework
To provide a link between the remuneration of Executive Directors and the creation of shareholder value by rewarding Executive Directors for the achievement of longer term objectives aligned to shareholder interests.	Under the PSP, the Committee may grant awards as conditional shares, nil-cost options or in such other form as the Committee determines has a substantially similar economic effect. Awards vest subject to the satisfaction of performance conditions assessed over a period of not less than three years. The Committee has the discretion to reduce the formulaic vesting outturn applying to any PSP award, including where it believes the outcome is not reflective of underlying performance or is not appropriate in the context of circumstances that were unexpected or unforeseen at the date of grant. Awards are granted subject to a holding period of two years following the end of the performance period, with the awards usually only released to the Executive Director (so that the Executive Director can acquire the shares subject to the award) following the end of the holding period. PSP awards may incorporate the right to receive additional shares calculated by reference to the value of dividends which would have been paid on the shares up to the time of release. Recovery provisions apply, as referred to below.	The usual maximum award level in respect of any financial year of the Company is 200% of base salary. However, in exceptional circumstances (such as on recruitment of an Executive Director), awards may be granted in respect of any financial year of the Company at the level of up to 300% of base salary.	Performance conditions applying to awards under the PSP will be based on financial and/or strategic measures aligned to the Company's long term strategy, which may include, but is not limited to, cash generation, relative TSR, and a cultural metric. Awards will vest as to 25% for threshold performance, increasing to 100% for maximum performance.

Share ownership guidelines

In-service requirement

During employment, Executive Directors in office at the date on which the 2020 Policy is approved are required to acquire and retain shares with a value equal to 500% of base salary. The guideline for any Executive Director appointed on or after the date on which the 2020 Policy is approved is 400% of base salary. The Committee expects that a holding with a value equal to 200% of salary will be achieved within five years of appointment, with the balance of the guideline acquired within a period agreed with the Chairman; progress towards the guideline will be reviewed regularly.

Post-employment requirement

Following employment, Executive Directors are required to retain for a period of two years such number of shares as they were required to acquire and retain during employment (or, if fewer, the number of shares they held at the date of cessation of employment); shares which the Executive Director purchases or acquires pursuant to the Company's SAYE scheme and shares acquired pursuant to any other share plan awards granted before 1 January 2020 will not be subject to any post-employment holding requirement.

Recovery Provisions (malus and clawback)

Recovery provisions may be applied in the event of the following:

- a material misstatement of any Group member's financial results;
- gross misconduct on the part of the participant which affects substantially the financial performance or reputation of a Group member;
- an error in assessing a performance condition;
- a material failure of risk management;
- serious reputational damage to any Group member;
- serious misconduct or material error on the part of the participant;
- a material corporate failure;
- a failure of acceptable health and safety standards, which may include a fatality; or
- any other circumstances considered to be similar in their nature or effect to those set out above.

The recovery provisions may be applied in the case of the annual bonus for three years from the date on which the amount of the bonus is determined and, in the case of PSP awards, until the fifth anniversary of the grant date.

Operation of share plans

The Committee may amend the terms of awards and options under its share plans in accordance with the plan rules in the event of a variation of the Company's share capital or a demerger, special dividend or other similar event or otherwise in accordance with the terms of the plans. The Committee will operate any such plan in accordance with its rules. Share awards granted under any such plan may be settled (in whole or in part) in cash, although the Committee would only do so where the particular circumstances made it appropriate to do so – for example, where there is a regulatory restriction on the delivery of shares.

Choice of performance conditions

Annual bonus conditions	Rationale for selection and how performance targets are set
Profit before tax and cash generation	Aligned with the Company's strategy to deliver high quality growth and return cash to shareholders. These are important factors in ensuring overall business performance, sustainability and reputation.
Customer satisfaction, quality, or other non-financial, strategic, or personal measure	Annual bonus performance measures and targets are reviewed annually by the Committee to ensure that they take into consideration the Company's strategy and the outlook for the Company over the medium term and are appropriate from a risk perspective.
PSP	**Rationale for selection and how performance targets are set**
Cash generation (subject to Return of Capital Employed underpin) Relative TSR A cultural metric	Performance conditions for the PSP will be determined by the Committee and aligned with the Company's strategy. The rationale for the proposed performance conditions is as follows. ▪ **Cash generation:** Ensures generation of cash to fund returns to shareholders is the result of long term sustainable financial performance which is a core element of the strategy. Return on Capital Employed underpin ensures that returns to shareholders are the result of long term sustainable financial performance. ▪ **Relative TSR:** Provides a means of comparing the Company's performance with that of peers. Aligns the rewards received by executives with the returns received by shareholders. Ensures rewards are linked to outperformance of sector peers. Aligned with market practice in wider FTSE 100 and sector peers. ▪ **Cultural metric:** Performance against cultural metrics is key to our future success.

The Committee retains the right to adjust or set different performance measures if events occur (such as, but not limited to, a change in strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions), which cause the Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

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

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

Non-Executive Directors

Fees

Purpose	How it operates	Maximum payable	Performance framework
Fees are the principal element of Non-Executive Directors' remuneration and set at a level appropriate to attract Non-Executive Directors with a broad range of skills and experience to complement the Board. Non-Executive Directors with diverse skills and experience will assist the Board when setting the Company's strategy and overseeing its successful implementation. Benefits relevant to the role may also be provided.	Fees for the Chairman are determined by the Committee and fees for other Non-Executive Directors are determined by the Board as a whole. They are set at levels, commensurate with the individual's duties and responsibilities for a company of our size and complexity. Fees are reviewed annually with any increases normally taking effect from 1 January. When reviewing fees consideration is given to market conditions, the size of the business and any increases awarded to the Group's salaried employees. Non-Executive Directors do not receive bonus, pension or salary supplement payments or share scheme awards. Benefits may be provided in connection with the undertaking by a Non-Executive Director of their duties.	Increases to Non-Executive Directors' fees will be determined having regard to increases applied to the Group's salaried employees (in percentage terms), although fee increases may be awarded above this level in appropriate circumstances including (but not limited to): where there has been a change in market practice; where there has been a change in the size or complexity of the business; where there has been an increase in the time commitment required for the role. Additional fees are payable to Non-Executive Directors for extra responsibilities, such as chairing a Board committee, holding the office of Senior Independent Director or any other additional responsibilities.	N/A

Directors' future Remuneration Policy *continued*

Recruitment and promotion policy

Ongoing remuneration

The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates with the appropriate skills for the housebuilding industry. The Committee retains discretion to include other elements of remuneration which are not included in the provisions of the 2020 Policy set out above should business needs require. However, this discretion is subject to the following principles and limitations, and the commercial rationale for taking such action will be disclosed in the following Annual Report on Remuneration.

- The salary for a new Executive Director may be set below the normal market rate, with increases over such period as the Committee determines as the Director gains experience in their new role.
- Pension/salary supplement benefits will be provided in line with the provisions of the 2020 Policy set out above.
- The variable remuneration that may be awarded will be subject to the limit set out below.
- Without prejudice to the ability to offer additional cash and/or share-based elements to take account of remuneration relinquished when leaving the former employer as discussed below, the discretion will not be used to make non-performance related incentive payments.

Examples of the circumstances in which these other elements may be provided include:

- An interim appointment being made to fill an Executive Director role on a short term basis;
- If exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short term basis; and
- If an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or a PSP award for that year as there would not be sufficient time to assess performance, subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis;

The Committee may alter the performance measures and vesting/deferral/holding period of annual bonus and PSP awards to take account of the circumstances of the recruitment.

The maximum level of variable remuneration which may be granted to a new Executive Director on appointment (excluding any award to take account of remuneration relinquished when leaving the former employer) will be 450% of salary and, for a new Chief Executive, 500% of salary.

As described in the policy tables above, it may also be necessary to offer relocation benefits for external and internal appointments.

'Buy-out' awards

The Committee may offer additional cash and/or share-based elements at recruitment when it considers these to be in the best interests of the Company (and therefore shareholders) to take account of remuneration relinquished when leaving the former employer and would take account of the nature, time horizons and performance requirements attaching to that remuneration. These awards will ordinarily be granted on the basis that they are subject to forfeiture or 'clawback' in the event of departure within 12 months of joining the Company, although the Committee will retain discretion to not apply forfeiture or clawback in appropriate circumstances.

Internal appointments

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its terms.

Non-Executive Director appointments

The remuneration package for a newly appointed Non-Executive Director would be in line with the structure set out in the policy table for Non-Executive Directors.

Service contracts

The Company's policy is for service contracts with Executive Directors to have no more than a 12-month notice period.

The Chairman and the Non-Executive Directors are not employees, they have letters of appointment which set out their duties and responsibilities; they do not have service contracts.

The Chairman's and the Non-Executive Directors' letters of appointment are effective from their date of appointment. Their appointment is initially for a three-year term but is subject to re-election at each AGM and their appointment may be terminated on three months' notice for the Chairman and one month's notice for the Non-Executive Directors.

Name	Commencement date	Unexpired term remaining as at 31 December 2019
Dave Jenkinson	13 December 2013	Terminable on 12 months' notice.
Mike Killoran	4 January 1999	Terminable on 12 months' notice.[1]
Roger Devlin	1 June 2018	Terminable on three months' notice and subject to reappointment at the AGM each year.
Nigel Mills	4 April 2016	Terminable on one month's notice and subject to reappointment at the AGM each year.
Marion Sears	8 January 2013	Terminable on one month's notice.[2]
Rachel Kentleton	24 June 2015	Terminable on one month's notice and subject to reappointment at the AGM each year.
Simon Litherland	3 April 2017	Fixed term expiring on 3 April 2020 (subject to renewal, and subject to reappointment at the AGM each year) and terminable on one month's notice.

1 Under his service agreement entered into in 2002, if the Company serves notice on Mr Killoran within six months of a change of control, he may terminate his employment on 28 days' notice.
2 Marion Sears intends to retire from the Board at the conclusion of the Company's 2020 Annual General Meeting. However, if necessary, she will remain on the Board for a short term after the AGM while the Company seeks a new Remuneration Committee Chairman.

Policy on payment for loss of office

Payments in lieu of notice

The Company retains the right to terminate each Executive Director's service agreement by making a payment in lieu of some or all of the notice period. Save as noted below in relation to Mike Killoran, any such payment would consist of base salary and benefits (including pension or salary supplement contributions) in respect of the unexpired notice period for termination.

Annual bonus

Save as noted below in relation to Mike Killoran, any payment to an Executive Director on termination in respect of annual bonus will be determined by the Committee taking into account the circumstances of the termination. Any payment will be pro-rated to reflect the proportion of the bonus year worked and subject to performance achieved. Payments will ordinarily only be made at the usual time (although the Committee retains discretion to make payments early in appropriate circumstances). The Committee retains discretion to pay the whole of the bonus for the year of departure and/or the previous year in cash, but will do so only where the cessation is in compassionate circumstances.

Entitlements under the Company's share plans will be treated in accordance with the plan rules in the event of cessation of employment, which provide as follows.

Plan	Treatment
PSP	Cessation during the performance period. In the event of cessation during the performance period, an award will ordinarily lapse. However, in 'good leaver' circumstances (including cessation due to death, ill-health, injury, disability or any other reason at the discretion of the Committee) awards may be retained. Retained awards will ordinarily vest and be released on the originally anticipated timescale subject to the satisfaction of the performance conditions and a reduction to reflect the proportion of the performance period that has elapsed (although the Committee has discretion to vest and release the awards earlier, and to assess the performance conditions accordingly, and not to apply the time based reduction). Cessation during the holding period. In the event of cessation during the holding period, the award may be retained (other than in the case of summary dismissal) and will be released at the ordinary release date to the extent the performance condition was met (although the Committee has discretion to release the award earlier).
Deferred Bonus Plan	In the event of cessation before vesting, an award will ordinarily lapse. However, if a participant leaves as a result of death, ill-health, injury, disability or any other reason at the discretion of the Committee, the award will be retained and will vest on the originally anticipated timescale (or at the date of cessation in the event of death or if the Committee otherwise determines).
SAYE	SAYE options will vest and become exercisable in the event of cessation in line with the plan rules and applicable legislation, which do not provide for any discretion.

Directors' future Remuneration Policy *continued*

In determining whether an Executive Director should receive an annual bonus or whether to exercise discretion to treat an Executive Director as a 'good leaver' for the purposes of any subsisting awards under the Deferred Bonus Plan or PSP, the Committee will have regard to a range of factors, including the circumstances of the termination, the Executive Director's length of service, performance and behaviour in role, overall business performance and, where relevant, contribution to an orderly succession.

The Committee reserves the right to make any other payments in connection with an Executive Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with their cessation of office or employment.

Legacy arrangements

Under his service agreement entered into in 2002, if Mike Killoran leaves as a 'Good Leaver' (as defined in the agreement) or if he is summarily dismissed in breach of contract or if he leaves in certain circumstances following a change of control, his termination payment will include any payment for bonus to which he would have been entitled had he remained in employment to the end of the notice period (subject to the satisfaction of the performance condition). In other circumstances, Mike Killoran will be entitled to payment in respect of any bonus awarded but not paid and to a pro-rated bonus for the year of departure (subject to satisfaction of the performance condition).

Change of Control

The rules of the Company's share schemes provide for early exercise of awards on a takeover or change of control.

Entitlements under the Company's share plans will be treated in accordance with the plan rules in the event of change of control, which provide as follows.

Plan	Treatment
PSP	Unvested PSP awards will vest in the event of a change of control to the extent determined by the Committee taking into account the extent to which the performance condition has been satisfied and the proportion of the performance period that has elapsed (although the Committee has discretion to waive this time based reduction). Vested PSP awards which are in a holding period will be released in the event of a change of control to the extent determined by reference to the satisfaction of the performance condition.
Deferred Bonus Plan	Deferred Bonus Plan awards will vest in the event of a change of control.
SAYE	SAYE options will vest and become exercisable in the event of a change of control in line with the plan rules and applicable legislation, which do not provide for any discretion.

Legacy arrangements

The Committee retains discretion to make any remuneration payment or payment for loss of office (including exercising any discretion available to it in respect of any such payment) outside the 2020 Policy:

- where the terms of the payment were agreed before the 2020 Policy came into effect, provided in the case of any payment whose terms were agreed after the Company's 2017 AGM and before the 2020 Policy becomes effective, the remuneration payment or payment for loss of office was permitted under the Company's relevant former Directors' Remuneration Policy; or
- where the terms of the payment were agreed at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Company.

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

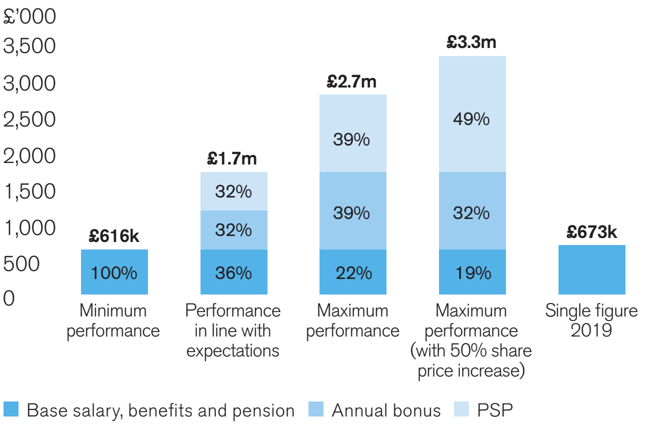
External appointments

The Directors recognise that external appointments can broaden an individual's skills and experience. If an Executive Director wishes to take up an external appointment, they must first seek approval from the Chairman.

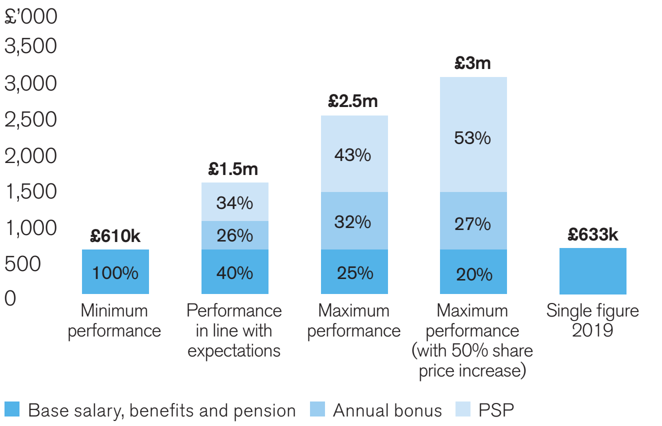
Illustrations of application of 2020 Policy

The following charts illustrate the remuneration packages of the Group Chief Executive Officer and Group Finance Director for the year ending 31 December 2020 under the 2020 Policy for various indicative levels of performance.

Dave Jenkinson Policy Scenario FY2020



Mike Killoran Policy Scenario FY2020



For the purpose of these charts, the following assumptions have been made:

- Fixed remuneration comprises base salary, pension and other benefits;
- Base salary levels are those applying on 1 January 2020;
- Benefit levels are those applying from 1 January 2020;
- Minimum performance reflects fixed remuneration as above, and assumes no payment under the annual bonus and no vesting is achieved under the PSP;
- Expected performance reflects fixed remuneration above, and assumes 50% of annual bonus is earned (100% of base salary for the Group Chief Executive and 75% of base salary for the Group Finance Director) and 50% of the PSP (100% of base salary for each of the Group Chief Executive and Group Finance Director) vests;
- Maximum performance reflects fixed remuneration as above, and assumes full bonus pay out (200% of base salary for the Group Chief Executive and 150% of base salary for the Group Finance Director) and full vesting under the PSP (200% of base salary for each of the Group Chief Executive and Group Finance Director); and
- The final illustration is based on the same assumptions as the maximum performance illustration, but also assumes for the purposes of the PSP that share price increases by 50%.

Statement of consideration of shareholder views

The Committee consults with major shareholders and their representative bodies on remuneration matters, particularly if any material changes are proposed to the remuneration policy. When determining the 2020 Policy, the Remuneration Committee consulted with the Company's major shareholders representing 60% of the share register, as well as leading proxy voting service providers, and we are grateful for stakeholders' engagement with us.

There was widespread general support for the 2020 Policy with acknowledgement that the right steps have been taken to rebuild Persimmon's reputation, and recognition of the Remuneration Committee's determination to deliver best practice. The links to our strategy, with appropriate balance between financial and non-financial metrics, were well received.

Following the consultation and taking into account the feedback received we have made certain amendments to the way in which we propose to implement performance conditions in 2020, as described in the Statement from the Committee Chair. We also recognise the expectation that our climate change progress should be measured and included as part of long-term executive remuneration.

Statement of consideration of employment conditions elsewhere in the Group

In accordance with the UK Corporate Governance Code, the Committee reviews pay and employment conditions of the wider workforce, and takes these into account when reviewing and determining remuneration of the Executive Directors.

Whilst the Committee does not directly consult with the wider workforce when determining the remuneration of the Executive Directors, it engages with the Employee Engagement Panel, to whom it presents its approach to executive remuneration and seeks their feedback.

The Company has also introduced the Living Wage Foundation criteria, paying the Real Living Wage to our employees, and established (and regularly reviews) a remuneration dashboard of Group-wide workforce pay statistics and trends.

These approaches enable the Committee to better know and understand the Group's workforce, to ensure that all remuneration decisions are made in context. Furthermore, the Committee's remit now includes the Regional Chairmen and Company Secretary.

Annual Report on Remuneration

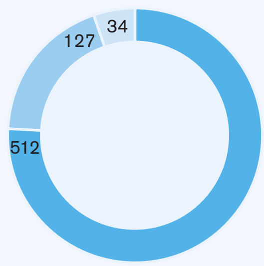
Summary

The Remuneration Committee agreed that Executive Directors' salaries would not be increased in 2019 and that they would not receive awards under the annual bonus or 2017 Performance Share Plan.

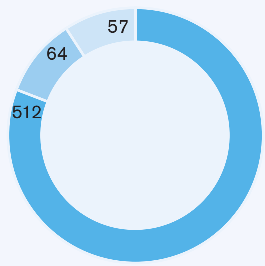
The charts opposite, summarise the actual remuneration for Dave Jenkinson, Group Chief Executive and Mike Killoran, Group Finance Director, in 2019.

2019 Actual Remuneration Outcomes

Dave Jenkinson,
Group Chief Executive £'000



Mike Killoran,
Group Finance Director £'000



Salary Pension Benefits

The Remuneration Committee's Annual Report on Remuneration for the year ended 31 December 2019 is set out below. The report is split into three main sections: Section 1 on this page and page 111 provides details of the role of the Remuneration Committee and its work during 2019. Section 2 on pages 111 to 117 sets out details of remuneration for 2019 including the Single Total Figure of Remuneration. Section 3 on pages 118 to 120 sets out details of the proposed implementation of the new remuneration policy for 2020. The full text of the proposed new remuneration policy for Executive Directors and Non-Executive Directors is set out on pages 101 to 109.

Section 1: The role of the Remuneration Committee

The Remuneration Committee's determines the remuneration policy for the Company's Chairman, Executive Directors and from 1 January 2019, the Regional Chairmen and the Company Secretary. The proposed new policy has been determined in such a way as to align the Executive Directors' interests with those of shareholders and wider stakeholders and to ensure alignment with the Company's purpose and long term strategy and to ensure remuneration adheres to the principles of good corporate governance and promotes the long-term sustainable success of the Company. When setting the remuneration policy for Executive Directors, the Committee has reviewed and taken into account workforce related policies and the alignment of incentives and rewards with culture. The Committee is able to use discretion to override formulaic outcomes concerning annual bonus and PSP outcomes. The Committee did not use its discretion during the year for Executive Directors' remuneration.

The Committee consists of independent non-executive Directors and the Chairman of the Board, who was independent on his appointment. Joanna Place will be appointed to the Committee with effect from 1 April 2020.

Key area of focus	Remuneration Committee activities in 2019/20
Executive Directors' and Senior Management Remuneration	▪ Set the remuneration for the Executive Directors and Below Board Pay Group. ▪ Agreed that Executive Directors' salaries should not be increased in 2019, including for Dave Jenkinson on his promotion to Group Chief Executive. ▪ Assessed build quality and customer care progress throughout the year in order to determine cultural metric implementation going forward. ▪ Agreed that on the implementation of the new remuneration policy, annual bonus and long term incentive awards should be re-introduced for the Executive Directors in 2020.
2020 Remuneration Policy	▪ Agreed the proposed new Remuneration Policy for Executive Directors, which included: – Increased shareholding requirements for Executive Directors and post employment shareholding requirements; and – a reduction of Executive Directors' pension benefits to be in line with the salaried workforce with immediate effect. ▪ Consulted on the new policy and its proposed implementation with institutional investors and leading proxy advisors, including the remuneration of the Group Chief Executive from 2020.
Governance	▪ Reviewed and refined the workforce dashboard to understand and monitor reward across the workforce. ▪ Considered and approved the Annual Report on Remuneration. ▪ Amended the rules of the annual bonus scheme and of the 2017 Performance Share Plan to reflect current best practice on malus, clawback and discretion. ▪ Completed an internal Committee performance evaluation. ▪ The Chairman of the Committee met with the Company's Engagement Panel to explain how executive remuneration aligns with workforce pay and get their feedback.
PSP Awards	▪ Agreed the overall structure and performance conditions for PSP awards to be made to senior management in 2019. ▪ Agreed the level of awards to be made to the Below Board Pay Group.
Workforce Remuneration	▪ Agreed improved processes for the Committee to regularly review workforce pay. ▪ Reviewed pay for the senior management team, including a benchmarking exercise.

The Committee sought advice during the year on remuneration matters for the Executive Directors, including advice on the new remuneration policy which shareholders will be asked to approve at the AGM on 29 April 2020 and the pay for the Below Board Pay Group from Deloitte LLP, its independent remuneration consultants. Deloitte were appointed by the Remuneration Committee in 2016 and were selected due to their expertise in executive remuneration. The Committee considers that the advice provided by Deloitte as professional remuneration consultants is objective and independent. Deloitte is a founding member of the Remuneration Consultants Group and adheres to its Code of Conduct in relation to executive remuneration consulting in the UK. Deloitte also provided advice to the Company on share plan matters during 2019.

The amount of fees the Company paid to Deloitte for the services they provided to the Remuneration Committee in 2019 was £62,470, charged on a time spent basis.

The Remuneration Committee also received advice during 2019 from Ashurst LLP, an international law firm, on remuneration matters relating to the rules of the 2012 LTIP. The amount of fees paid to Ashurst LLP for the provision of that advice, which was charged on a time spent basis, was £7,400. The Committee is satisfied that the advice provided by Ashurst LLP, selected because they have acted as the Company's legal advisors and being regulated by the Law Society of England and Wales, is objective and independent. Ashurst LLP also provided legal advice to the Company with respect to a range of matters, including day to day legal matters, the Annual General Meeting of the Company and compliance with legal and regulatory obligations, including under the Market Abuse Regulation.

Deloitte LLP and Ashurst LLP are not connected to any Group company.

Annual Report on Remuneration

Section 2: Details of 2019 remuneration – audited

The auditor is required to report on the following information up to and including the Statement of Directors' shareholding requirements and share interests.

Single total figure of remuneration for the year ended 31 December 2019.
The figures set out in the table below are the actual amounts of salary or fees earned in the year to 31 December 2019.

	Salaries and fees 2019 £	Salaries and fees 2018 £	**Benefits 2019 £**	Benefits 2018 £	**Annual bonus 2019 £**	Annual bonus 2018 £	**Value of LTIP Awards Vesting 2019 £**	Value of LTIP Awards Vesting 2018 £	**Value of pension benefits earned/ Salary supplement 2019 £**	Value of pension benefits earned/ Salary supplement 2018 £	**2019 Total £**	2018 Total £
Chairman												
R Devlin[1]	**300,000**	175,000	**0**	0	**–**	–		–		–	**300,000**	175,000
Executive												
D Jenkinson[2]	**511,625**	511,625	**34,106**	41,608	**n/a**	n/a	**n/a**	24,307,722	**127,267**	125,428	**672,998**	24,986,383
M H Killoran	**511,775**	511,775	**57,327**	62,982	**n/a**	n/a	**n/a**	25,236,086	**63,972**	153,533	**633,074**	25,964,376
Non-executive												
M Sears	**90,000**	90,000	**–**	–	**–**	–	**–**	–	**–**	–	**90,000**	90,000
R Kentleton	**75,000**	75,000	**–**	–	**–**	–	**–**	–	**–**	–	**75,000**	75,000
N Mills[3]	**75,000**	111,606	**–**	5,940	**–**	–	**–**	–	**–**	–	**75,000**	117,546
S Litherland	**60,000**	60,000	**–**	–	**–**	–	**–**	–	**–**	–	**60,000**	60,000
C Thomas[4]	**25,000**	–	**3,915**	–	**–**	–	**–**	–	**–**	–	**28,915**	–
Totals	**1,648,400**	1,535,006	**95,348**	110,530	**–**	–	**–**	49,543,808	**191,239**	278,961	**1,934,987**	51,468,305

1 2018 figures are from 1 June 2018, the date Roger Devlin was appointed to the Board.
2 The actual salary paid to Dave Jenkinson was reduced by 9% of £37,500, (his pensionable salary in the defined benefit pension scheme), being the rate of contribution as a member of that scheme, where there is a salary sacrifice arrangement in place.
3 Nigel Mills' 2018 fees include additional fees for the period from 26 February 2018 to 31 May 2018 in which he was Acting Chairman.
4 Figures are from 1 August 2019, the date Claire Thomas was appointed to the Board.

Additional information on the amounts which make up the Single Total Figure of Remuneration

Benefits

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

Annual bonus 2019

As disclosed in the 2018 Directors' Remuneration Report, there was no annual bonus opportunity for Executive Directors in respect of the year ended 31 December 2019.

LTIP Awards

There were no LTIP awards capable of vesting by reference to performance in 2019.

Directors' pension entitlements

The value of the pension benefits earned and salary supplements paid during the year is as follows.

Executive Director	Value of defined benefit pension earned £	Salary supplement £	**Total £**
D Jenkinson	12,667	114,600	**127,267**
M H Killoran	n/a	63,972	**63,972**

Dave Jenkinson is a member of the Company's defined benefit pension scheme. Benefits are earned on a career average revalued earnings basis at an accrual rate of sixtieths and his normal retirement age in the scheme is 65. Dave Jenkinson's pensionable salary is a fixed amount of £37,500, to generally align his pension accrual with his pension Annual Allowance for tax purposes. In addition, Dave Jenkinson received a salary supplement of 24% of the difference between his pensionable salary and his base salary. As set out in the revised remuneration policy on page 102 Dave Jenkinson's salary supplement will be reduced to 9% of the difference between his pensionable salary and his base salary with effect from 1 January 2020, to bring it into line with the level of pension benefit available to salaried employees who make up the majority of our workforce.

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

	Accrued pension as at 31 December 2019 £	Accrued pension as at 31 December 2018 £	Increase in accrued pension £	Increase in accrued pension during the year (net of inflation) £
D Jenkinson	**48,524**	46,768	1,756	633

Mike Killoran has ceased membership of the Company's pension schemes, he previously earned benefits in the Company's defined benefit pension scheme. Mike Killoran's scheme retirement age is 60. Mike Killoran agreed to reduce his salary supplement in lieu of pension to 9% with effect from 1 March 2019 (previously 30%), to bring it into line with the level of pension benefit available to the Group's salaried employees who make up the majority of our workforce.

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

Payments for loss of office

There were no payments for loss of office in 2019.

Payments to past Directors

There were no payments to past Directors for the year ended 31 December 2019 where the total payment to the former Director exceeded a threshold set by the Company of £60,000.

Service contracts

The Executive Directors have service contracts with a 12-month notice period.

The Chairman and Non-Executive Directors are not employees, they have letters of appointment which set out their duties and responsibilities; they do not have service contracts. A Non-Executive's appointment is initially for a three-year term, subject to re-election at each AGM but their appointment may be terminated on one month's notice, see page 107.

Directors' share option scheme interests

	Scheme	Total interests outstanding at 31 December 2018	Granted in year	Acquired in year	Reduced in year	Lapsed to satisfy option exercise price[1]	Exercise price/market price at date of award	Interests without performance conditions	Interests with performance conditions	**Total interests outstanding at 31 December 2019**	Options vested but unexercised	Latest Vesting Date
D Jenkinson	2012 LTIP	725,807	–	725,807	–	–	620p	–	–	**0**	–	Exercised
	2012 LTIP	460,523	–	411,084	–	49,439	1135.5p	–	–	**0**	–	Exercised
	2012 LTIP	383,903	–	–	–	–	2102p	–	383,903	**383,903**	383,903	Vested
	Bonus Share Scheme	5,907	–	5,907	–	–	2094p	–	–	**0**	–	Exercised
	Bonus Share Scheme	8,666	–	4,333	–	–	2530p	4,333	–	**4,333**	–	50% Exercised 50% Feb 20
	SAYE	903	–	–	–	–	1992p	903	–	**903**	–	Dec 20
M H Killoran	2012 LTIP	1,014,720	–	1,014,720	–	–	620p	–	–	**0**	–	Exercised
	Bonus Share Scheme	5,870	–	5,870	–	–	2094p	–	–	**0**	–	Exercised
	Bonus Share Scheme	8,611	–	4,305	–	–	2530p	4,306	–	**4,306**	–	50% Exercised 50% Feb 20
	SAYE	903	–	–	–	–	1992p	903	–	**903**	–	Dec 20

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

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

Annual Report on Remuneration

Statement of Directors' shareholding requirements and share interests

The share ownership requirements of the Directors serving during the year and the share interests of the Directors and of their connected persons in the ordinary share capital of the Company are as shown below. The shareholding requirements set out below are the requirements from 1 January 2020:

	Shareholding requirement			Beneficial holdings (including interests of the Director's connected persons)	
Director	Value of base salary required to be held in 2019	Value of base salary required to be held from January 2020	Value of base salary held at 31 December 2019 (including shares held by connected persons but excluding vested awards which have not yet been exercised)[1]	31 December 2019	31 December 2018
D Jenkinson	200%	500%	4,115%	781,124	173,453
M H Killoran	200%	500%	10,154%	1,928,136	1,385,248
Chairman					
R Devlin	n/a	n/a	n/a	12,575	12,575
Non-Executives					
M Sears	n/a	n/a	n/a	14,350	14,350
R Kentleton	n/a	n/a	n/a	3,932	3,932
N Mills	n/a	n/a	n/a	716	716
S Litherland	n/a	n/a	n/a	–	–
C Thomas[2]	n/a	n/a	n/a	–	n/a
Total				**2,740,833**	**1,590,274**

1 Calculated on the closing price of £26.95 at 31 December 2019 and on base salary at 31 December 2019.
2 Claire Thomas was appointed to the Board on 1 August 2019 and resigned on 1 February 2020.

The Directors' beneficial holdings at 31 December 2019 were 2,740,833 shares, representing 0.9% of the Company's issued share capital as at that date. There has been no change in the interests of the current Directors between 31 December 2019 and 26 February 2020.

The following information is unaudited

Share retention

Details of the shareholding requirements applicable from 1 January 2020 are set out below. Previously the shareholding requirement for Executive Directors was 2x salary.

	Shareholding Requirement	Post employment Shareholding Requirement
Executive Directors	5 x salary	At least 100% of their requirement on departure (or actual holding on departure if lower) for two years following departure.
	4 x salary for new external appointments	Shares which the Executive Director purchases or acquires via the SAYE scheme or acquires pursuant to share plan awards granted before 1 January 2020 are not subject to this requirement. The requirement will be introduced through making it a condition that shares acquired under bonus share scheme or PSP awards be placed in a nominee account.

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

At 31 December 2019 both of the Executive Directors held shares above their shareholding requirement and are long term holders of the Company's shares. In accordance with the rules of the 2012 LTIP, Dave Jenkinson is required to hold 50% of the shares acquired under his outstanding award (excluding any shares sold to satisfy his tax liability) for 12 months commencing on the date of exercise of the award. Mike Killoran is required to hold the shares he acquired in 2019 under the 2012 LTIP until July 2021.

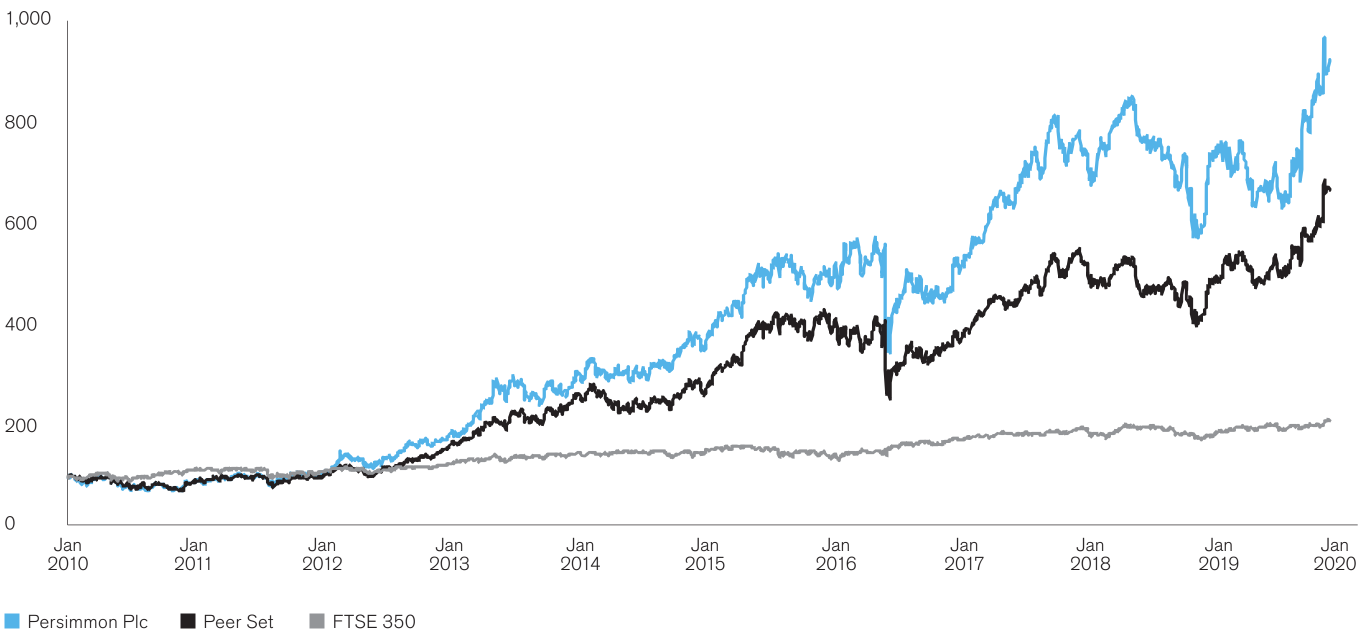
	Date of grant	Number of shares subject to a holding period	Date of release
Mike Killoran	17/10/2012	268,900[1]	06/07/2021
Dave Jenkinson	26/11/2012	192,338	01/03/2020
	13/12/2013	108,937	15/10/2020
	07/03/2016	54,784[2]	One year from date of exercise

1 Mike Killoran agreed to an extended holding period for these shares, instead of the original holding period under the rules of the 2012 LTIP, being one year from date of exercise.
2 Estimated based on current income tax and national insurance rates, any option price currently payable, a market value of £30.43 per share and, where relevant to part of the option, a share price capped at £29.00 per share, in accordance with Dave Jenkinson's Deed of Surrender.

Total shareholder return performance

We have chosen to compare the Company's total shareholder return performance with that of the FTSE 350, being a broad index of the UK's largest companies and with the largest UK listed house builders, being the Company's peer group. The graph shows a hypothetical £100 holding in the Company's shares over ten years, relative to the FTSE350.

Total shareholder performance



Annual Report on Remuneration

Group Chief Executive remuneration 2010 to 2019

Year	Chief Executive	Single total figure of remuneration £	Annual bonus paid against maximum opportunity	LTIP awards vesting against maximum opportunity
2019	D Jenkinson	672,998	n/a	n/a
2018	J Fairburn	38,967,197	n/a	100%
2017[1]	J Fairburn	45,739,514	95.7%	100%
2016	J Fairburn	2,123,692	97.3%	n/a
2015	J Fairburn	1,995,213	97.3%	n/a
2014	J Fairburn	1,890,918	91.6%	n/a
2013[2]	M P Farley/J Fairburn	5,957,479	100%	100%
2012	M P Farley	4,989,127	100%	100%
2011	M P Farley	3,206,309	98%	88%
2010	M P Farley	1,496,320	96%	0%

1 The value of 2012 LTIP awards which vested in 2017 have been restated for Jeff Fairburn to reflect the surrender of an award in February 2018 which had vested in December 2017.
2 This is the total remuneration for Mike Farley, who was Group Chief Executive until 18 April 2013, and remuneration for Jeff Fairburn from 18 April 2013, the date he became Group Chief Executive.

Pay Ratios

The table below compares the 2019 Single Total Figure of Remuneration for the Group Chief Executive with that of employees who are paid at the 25th percentile, 50th percentile and 75th percentile of the Group's employee population and also shows the total pay and benefits at quartile points.

Year	Method	25th percentile pay ratio	Median ratio	75th percentile ratio
2019	Option B	23:1	20:1	15:1

The Company adopted 'Option B' from the applicable regulations to determine the CEO pay ratio. The latest available gender pay gap data (i.e. from April 2019) was used to identify the best equivalents for three Group employees whose hourly rates of pay were at the 25th, 50th and 75th percentiles of all Group employees. The Company adopted Option B because it was the most practical approach to total calculation of these ratios taking into account the availability of data, and because it means that the data used to calculate the Company's gender pay gap and CEO ratios is secured on a consistent basis. The full time equivalent total pay and benefits figures for the three employees at each percentile were determined with reference to the year ended 31 December 2019. No adjustments were made, other than approximate pro-rating to achieve full-time equivalent data where relevant and no components of pay have been omitted.

A small number of employees at either side of the quartile points identified from the gender pay gap data were also considered, together with their corresponding full time equivalent total pay and benefits figures to ensure that the employees identified at each of the three percentile points are reasonably representative of each quartile.

The total pay and benefits and salary of employees who are paid at the 25th percentile, 50th percentile and 75th percentile is shown below:

2019	CEO	25th percentile pay ratio	Median ratio	75th percentile ratio
Total pay and benefits	£672,998	£29,500	£33,409	£44,728
Salary	£511,625	£26,667	£19,425	£27,726

The Company considers that median pay ratio for 2019 is consistent with the pay, reward and progression policies for the Group's UK employees taken as a whole. Due to the recent vesting of 2012 LTIP awards the Group Chief Executive did not receive a basic salary increase on his promotion in 2019, in addition it was agreed that he would not receive an annual bonus or PSP award again in 2019. Under the proposed new Remuneration Policy, the future total Chief Executive remuneration target and maximum opportunities will be positioned at or below the lower end of the market compared to similar sized FTSE 100 companies and FTSE 100 sector peers.

Group Chief Executive change in remuneration

Set out below is a comparison of the change in remuneration of the Group Chief Executive from 2018 to 2019, compared to the change in remuneration of the Group's salaried employees. The salaried employees have been selected as the most suitable comparator group as this includes junior to senior employees with the most relevant pay structure.

	Percentage change from 2018 to 2019		
	Annual salary	Bonus	Value of taxable benefits
Group Chief Executive[1]	-24%	No bonus payable for 2018 or 2019	-33%
Average of salaried employees	6.6%	-10.5%	2.5%

1 Comparison of the benefits of the person holding office as Group Chief Executive in 2018 (J Fairburn) with the person holding office as Group Chief Executive Group Chief Executive in 2019 (D Jenkinson).

Salaried staff generally received a 3% salary increase in 2019, but there were also a number of promotional increases during the year. Due to timing differences, the bonus comparison for employees is based on the actual amount paid in 2019 versus the actual amount paid in the 2018 financial year.

As can be seen in the table above, the average bonus per salaried employee reduced in the year. Executive Directors did not receive a bonus for 2018 but it was still measured and the amounts 'earned' pooled with bonuses sacrificed by some senior staff. This bonus pool was paid to long-serving staff, including weekly paid employees in the 2019 financial year. The distribution of the bonus pool to include the weekly paid employees reduced the average bonus for monthly paid employees in 2019. In addition, some targets for senior management bonuses were not met in full which also reduced the average bonus of salaried employees. These factors have had an overall effect of reducing the bonus payable to salaried staff and therefore the average bonus shows a reduction from 2018.

Relative importance of spend on pay

Set out below is the amount spent on remuneration for all employees of the Group (including for Executive Directors) and the total amounts paid in distributions to shareholders over the year.

	2019 £m	2018 £m	Difference in spend £m	Difference as a percentage
Remuneration for all employees[1]	**196.7**	188.1	8.6	4.6%
Total Capital Return Plan payments made	**747.8**	732.3	15.5	2.1%

1 Figures are taken from Note 7 of the accounts relating to staff and employee costs except that employer social security costs and IFRS2 Share based payment charges have been removed.

Statement of voting at general meeting

The Directors' Remuneration Policy, effective from 27 April 2017 and the Annual Report on Remuneration for 2018 were put to shareholders for approval at the 2017 AGM and 2019 AGM respectively. In the case of the 2017 AGM resolutions were passed on a show of hands and at the 2019 AGM voting was conducted on a poll. The table below summarises the proxy votes lodged for the 2017 Directors' Remuneration Policy and the result of the poll vote on the 2018 Annual Report on Remuneration.

	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of the Directors' Remuneration Policy – 27 April 2017	187,471,448	96.7	6,289,667	3.2	193,921,917	1,392,829 (representing 0.5% of the issued share capital)
Approval of the Annual Report on Remuneration – 1 May 2019	189,241,854	92.2	15,905,543	7.8	205,147,397	2,756,203 (representing 0.9% of the issued share capital)

Section 3: Remuneration policy implementation for 2020

As referred to in the statement from the Remuneration Committee's Chairman on page 98, in accordance with applicable legislation we are seeking shareholder approval for a new Directors' Remuneration Policy at the 2020 Annual General Meeting. If approved, the Remuneration Policy will apply from 29 April 2020. We intend to implement the 2020 policy as follows.

A summary of the 2020 remuneration for each Executive Directors is set out below:

Group Chief Executive pay

- Basic salary of £530,000 (an increase of 3%, in line with the increase for the salaried workforce);
- Pension salary supplement of 9% (reduction from 24%, with no compensation awarded for this change);
- Similar benefits to 2019, with an increase in car allowance value by £5,000;
- Maximum annual bonus opportunity of 200% of basic salary (an increase for Dave Jenkinson's promotion from the 150% which he received as Group Managing Director); and
- Maximum PSP award of 200% of basic salary.

Group Finance Director pay

- Basic salary of £527,000 (an increase of 3%, the increase for the salaried workforce);
- Pension salary supplement of 9% (reduction from 30%, that applied prior to 1 March 2019, with no compensation awarded for this change);
- Reduced benefits (including reduction in car allowance);
- Maximum annual bonus opportunity of 150% of basic salary; and
- Maximum PSP award of 200% of basic salary.

Pension and pension salary supplement

Basic salary is the only component of pay which is pensionable. The Executive Directors' pension benefits have reduced (with effect from 1 March 2019 in the case of Mike Killoran and with effect from 1 January 2020 in the case of Dave Jenkinson with no compensation for the change), to bring them in line with the salaried employees, who make up the majority of the Group's employees. Dave Jenkinson, Group Chief Executive is a member of the Company's defined benefit scheme. Benefits are earned on a career average revalued earnings basis at an accrual rate of sixtieths and on a pensionable salary of £37,500 (to generally align his pension accrual in the scheme with his annual allowance), his normal retirement age in the scheme is 65. Dave will receive a salary supplement of 9% of the difference between his pensionable salary and his base salary.

Mike Killoran, Group Finance Director will receive a pension salary supplement of 9% of his basic salary, in line with the amount payable to the group's salaried workforce.

Annual Bonus

To coincide with the introduction of our new Policy, the Remuneration Committee has agreed that variable remuneration should be reinstated for both the Group Chief Executive and the Group Finance Director. The maximum annual bonus opportunity for Dave Jenkinson, Group Chief Executive is 200% of basic salary. This is an increase on the maximum annual bonus opportunity of 150% of basic salary that applied when he was Group Managing Director and reflects the increased responsibilities of his new role. The maximum annual bonus opportunity for Mike Killoran is 150% of basic salary.

The annual bonus performance metrics are aligned with the Company's purpose and strategy to build high quality homes for our customers, deliver growth and return cash to shareholders and provide sustainable value for all stakeholders through the housing cycle. As we are taking action to improve our build quality processes, we have applied a relatively high level of non-financial and cultural metrics which are key to our future success and which are more demanding than those used for incentive pay in 2019. The financial targets are commercially sensitive and therefore will be disclosed in next year's Remuneration Report. Delivery of a stretching target level of performance will result in the Executive Director receiving 50% of the maximum award. 50% of any bonus earned will be deferred into shares for three years.

Bonus performance metrics

		Comment
60% Financial	30% Profit before tax 30% Pre-land cash generation	10% pay-out for threshold performance 50% pay-out for achieving budget maximum payment for stretching target above budget
40% Cultural	15% Customer care 15% Build quality	Pays out according to fraction of operating companies achieving 87% or above score from customers, as measured by the HBF Customer Satisfaction Survey
	10% Establishment of Group-wide standards the 'Persimmon Way' (our Group Build Policy)	Pays out on a sliding scale between zero and maximum based on the Committee's assessment of the successful establishment and implementation of 'the Persimmon Way' determined by reference to: ▪ Formalised Policy in place and rolled-out nationally to all operating companies. ▪ Communication and education programme throughout the business so all staff understand and adhere to consistent, structured construction and quality processes. ▪ Board receiving data on progress and outcomes. ▪ Improving outcomes for our customers.

Discretion

The Remuneration Committee has discretion to override formulaic outcomes in relation to annual bonus awards, including, but not limited to, health and safety performance.

Performance Share Plan Awards

The Remuneration Committee intend to make PSP awards to the Executive Directors of 200% of base salary and the performance conditions are detailed below. The three year performance period will run from 1 January 2020 to 31 December 2022 and the awards will vest in 2023 subject to meeting the performance conditions, with a further two year holding period before the shares can be released to the Executive Director. The Executive Directors will receive 25% of the maximum award for threshold performance.

PSP performance metrics are aligned with the Company's strategy to return cash to shareholders through the housing cycle and with relative TSR performance to link Executive Directors' reward to outperformance of sector peers. In addition, as we are driving cultural change in the business, there is a cultural measure based on the HBF customer care survey linked to the Company's purpose to build high quality homes for our customers. Collectively, these are important factors in ensuring overall business performance, sustainability and reputation.

PSP performance metrics and targets

Performance measure	Weighting	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
TSR ranking	40%	Median	–	Upper quartile or above
Post land cash generation Underpin – An average ROCE of 20% over the three year performance period	40%	£523m	£717m	£860m or more
Customer care	20%	Group is a 4 star builder over the performance period	–	Group is a 4 star builder over the performance period and all operating businesses achieve an average HBF score of 90%

ROCE = annual underlying profit from operations/average capital.
Annual Underlying Profit from Operations = 12 month consolidated Group profit before tax, interest, goodwill impairment and exceptional items;
Average Capital Employed = average of Capital Employed during the relevant calendar year; and
Capital Employed = Consolidated Shareholders Funds, plus consolidated borrowings, less consolidated cash holdings.

Annual Report on Remuneration

Taking into account the feedback we received from shareholders for the cash generation metric, we will adopt a Return on Capital Employed (ROCE) underpin which will be applied as a gateway such that the average ROCE over the three year performance period must be at least 20% for the cash element to be payable.

The metric we use to measure customer care and quality for annual bonus is the HBF 'Recommend a Friend' Customer Satisfaction Survey star rating. For PSP, we have increased the stretch in the three year HBF Customer Care target for 2020 PSP awards from 87% to 90%. This means that at the end of the three year performance period vesting will be determined by the proportion of operating companies achieving a score of 90% which is equivalent to being a 5 star builder. As our scores have recently improved a 4 star average underpin will also apply to this element. We recognise that the HBF quality measure may not be considered the most appropriate measure of the quality of a home and the Committee will be considering an alternative quality metric for 2021 awards, once appropriate KPIs for the homebuyer retention and the implementation of Group-wide standards for 'the Persimmon Way' (our Group Build Policy) have been established.

Chairman and Non-Executive Directors' fees

Roger Devlin was appointed to the Board on 1 June 2018. His fee on appointment was £300,000 p.a and this did not increase in 2019. This fee will not increase for 2020.

The Board as a whole determines the fees of the Non-Executive Directors. The Non-Executive Directors fees will not increase in 2020 and will remain at £60,000 p.a. plus £15,000 for the additional responsibilities in chairing a committee. In line with market practice, the additional fee of £15,000 will also apply to the position of Senior Independent Director.

Below Board Pay Group

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

This Remuneration Report was approved by the Board and signed on its behalf by:

Marion Sears
Chairman Remuneration Committee
26 February 2020

Statement Of Directors' Responsibilities In Respect Of The Annual Report And The Financial Statements

The current Directors who are listed on pages 74 and 75 are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

Dave Jenkinson
Group Chief Executive
26 February 2020

Mike Killoran
Group Finance Director
26 February 2020

Independent Auditor's Report to the Members of Persimmon Plc only

Opinion

In our opinion:

- Persimmon Plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Persimmon Plc ("the company") which comprise:

Group	Parent company
Group balance sheet as at 31 December 2019	Company balance sheet as at 31 December 2019
Consolidated statement of comprehensive income for the year then ended	Company statement of changes in equity for the year then ended
Group statement of changes in shareholders' equity for the year then ended	Company cash flow statement for the year then ended
Group cash flow statement for the year then ended	Related notes 1 to 32 to the financial statements
Related notes 1 to 32 to the financial statements	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report (set out on pages 57 to 63) that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation (set out on pages 64 to 65) in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement (set out on page 121) in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation (set out on pages 64 to 65) in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach	
Key audit matters	▪ Revenue recognition ▪ Inventory valuation and profit recognition ▪ Valuation of shared equity receivables
Audit scope	▪ We performed an audit of the Persimmon Plc group, as a single aggregated set of financial information. Our work therefore covered 100% of Profit before tax, 100% of Revenue and 100% of Total assets ▪ This is consistent with our approach to the prior year audit
Materiality	▪ Overall group materiality of £52.0m which represents 5% of profit before tax

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether, or not, due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole and in our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters are the same as those that we identified in the prior year.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition *Refer to Accounting policies (page 135); and Note 5 of the Consolidated Financial Statements (page 139)* The Group has reported revenues for the year of £3,649.4m (2018 – £3,737.6m). There is potential for material misstatement within revenue, particularly in relation to revenue being recorded in the wrong period, due to cut off errors or management bias.	We performed the following procedures over this risk area: ▪ We performed walkthroughs to understand the key processes and identify key controls; ▪ We performed procedures using EY bespoke data analytics tools to test the appropriateness of journal entries recorded in the general ledger by correlating sales postings with cash receipts throughout the year; ▪ We tested whether revenue was recorded in the correct period by testing whether a sample of house sales recorded within 2 weeks either side of the year end had legally completed in the period in which it was accounted; and ▪ We tested all material manual journals to assess for any evidence of management bias by checking to supporting documentation ▪ We assessed the adequacy of the related disclosures in the Financial Statements.	Based on our audit procedures we have concluded that revenue is appropriately recognised, and that there was no evidence of management bias.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Inventory valuation and profit recognition *Refer to the Audit Committee Report (page 89); Accounting policies (page 137); and Note 17 of the Consolidated Financial Statements (page 149)* At 31 December 2019, the Inventory balance includes WIP of £1,094.6m (2018 – £881.8m) and Land of £1,938.6m (2018 – £2,077.2m). The carrying value of Inventory is determined by reference to a number of assumptions which are subject to levels of inherent estimation and therefore may be subject to management bias to over or understate inventory. The carrying value of Inventory is assessed by management for impairment by reference to current market inputs and assumptions. In performing the assessment, management undertake bi-monthly valuations to determine the expected outcome of each development and hence identify if any impairment is required. The same estimates are also used to determine the margin on each development which is used to determine the profit to be recognised.	We performed the following procedures over this risk area: ▪ We performed walkthroughs to understand the key processes and identify key controls; ▪ We performed testing on the Group's controls over the bi-monthly valuation process. In testing these controls we attended a valuation meeting to observe the level of rigour and the tolerances applied by management in challenging the assumptions within the site valuations. We inspected a sample of valuation meeting minutes in respect of the valuation meetings held throughout the year to ensure that matters were appropriately considered and followed up. This included ensuring that the appropriate individuals were in attendance at the meeting together with confirming the process which is undertaken to challenge the margin, forecast costs to compete and any other factors that could impact on the margin and confirm that any updates were made to the forecasts; ▪ For a sample of development sites based on factors such as size and risk, we compared the estimated and actual costs and margin across the development lifecycle. We validated the key drivers for changes in costs and margin and considered historical outturns in order to assess management's ability to forecast accurately; ▪ We critically assessed the appropriateness of key assumptions and the commercial viability of sites as determined by management through comparison against historic data and consideration of current market conditions; ▪ We tested the appropriateness of any provisions included within the calculations, including those in relation to net realisable value and specific site provisions. We compared movements to prior periods, re-computed calculations and performed sensitivity analysis on sites where the margin was close to break even; and ▪ We assessed the adequacy of the related disclosures in the Financial Statements.	Based on our audit procedures we have concluded that the Inventory balance and profit recognised in the year are not materially misstated.
Valuation of share equity receivables *Refer to the Audit Committee Report (page 89); Accounting policies (page 137); and Note 16 of the Consolidated Financial Statements (page 149)* At 31 December 2019 the Group was carrying shared equity loan receivables on the balance sheet of £68.6m (2018 – £86.9m). This is split between non-current assets of £59.2m (2018 – £70.6m) and current assets of £9.4m (2018 – £16.3m). The carrying value of these shared equity loan receivables is based on a number of assumptions which contain inherent uncertainties and which require management judgement.	We performed the following procedures over this risk area: ▪ We performed walkthroughs to understand the key processes and identify key controls; ▪ We critically assessed, based on historic data and consideration of current market conditions, the appropriateness of key assumptions such as: – Discount rate – Recoverability – House price inflation ▪ We tested a sample of recorded redemptions and agreed them to evidence of cash receipt, ensuring that the amounts had been appropriately derecognised; ▪ We tested a sample of cash receipts received in the year, and ensured that they had been appropriately recorded as redemptions; ▪ We tested the integrity and arithmetical accuracy of the calculations within management's valuation model; and ▪ We assessed the adequacy of the related disclosures in the Financial Statements.	Based on our audit procedures we have concluded that the shared equity loan receivables are not materially misstated.

An overview of the scope of our audit

Tailoring the scope

We performed an audit of the Persimmon plc group, as a single aggregated set of financial information. Our work therefore covered 100% of Profit before tax, 100% of Revenue and 100% of Total assets.

This is consistent with our approach to the prior year audit.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £52.0 million (2018: £54.5 million), which is 5% (2018: 5%) of profit before tax. We believe that profit before tax provides us with an appropriate basis for materiality and is the most relevant measure for stakeholders as it is a focus of both management and investors.

We determined materiality for the parent company to be £19.4 million (2018: £19.0 million), which is 1% (2018: 1%) of equity.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2018: 75%) of our planning materiality, namely £39.0m (2018: £40.9m). We have set performance materiality at this percentage based on our assessment of the control environment of the Group and expectation of errors.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £2.6m (2018: £2.7m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report (set out on pages 2-121), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable (set out on page 121) –** the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting (set out on page 87-94) –** the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code (set out on page 76) –** the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement (set out on page 121), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations in the UK.
- We understood how the Group is complying with those frameworks by making enquiries of management, Internal Audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was a susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved journal entry testing, with a focus on manual consolidation journals, and journals indicating large or unusual transactions based on our understanding of the business; enquiries of Group management and Internal Audit; and focused testing, as referred to in the key audit matters section above. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code 2016.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company on 14 April 2016 to audit the financial statements for the year ending 31 December 2016 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is 4 years, covering the years ending 31 December 2016 to 31 December 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter McIver (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	2019 Total £m	2018 Total £m
Revenue	5	**3,649.4**	3,737.6
Cost of sales		**(2,518.7)**	(2,557.7)
Gross profit		**1,130.7**	1,179.9
Other operating income		**8.8**	5.6
Operating expenses		**(110.1)**	(102.8)
Profit from operations before impairment of intangible assets		**1,036.7**	1,091.9
Impairment of intangible assets	13	**(7.3)**	(9.2)
Profit from operations	9	**1,029.4**	1,082.7
Finance income	8	**20.5**	20.4
Finance costs	8	**(9.1)**	(12.3)
Profit before tax		**1,040.8**	1,090.8
Tax	10.1	**(192.0)**	(204.4)
Profit after tax (all attributable to equity holders of the parent)	12	**848.8**	886.4
Other comprehensive (expense)/income			
Items that will not be reclassified to profit:			
Remeasurement (loss)/gain on defined benefit pension schemes	27	**(27.0)**	19.7
Tax	10.2	**4.6**	(3.3)
Other comprehensive (expense)/income for the year, net of tax		**(22.4)**	16.4
Total recognised income for the year		**826.4**	902.8
Earnings per share			
Basic	12	**266.8p**	283.3p
Diluted	12	**266.3p**	280.8p

The Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement.

Balance Sheets

As at 31 December 2019

	Note	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Assets					
Non-current assets					
Intangible assets	13	**186.1**	193.4	**1.0**	1.3
Property, plant and equipment	14	**82.0**	58.0	**3.7**	3.5
Investments accounted for using the equity method	15.1	**2.1**	3.0	**–**	–
Investments in subsidiaries	15.2	**–**	–	**3,205.7**	3,205.7
Shared equity loan receivables	16	**59.2**	70.6	**–**	–
Trade and other receivables	18	**7.1**	7.0	**–**	–
Deferred tax assets	22	**6.6**	13.4	**2.7**	9.7
Retirement benefit assets	27	**77.6**	90.6	**77.6**	90.6
		420.7	436.0	**3,290.7**	3,310.8
Current assets					
Inventories	17	**3,156.8**	3,059.5	**–**	–
Shared equity loan receivables	16	**9.4**	16.3	**–**	–
Trade and other receivables	18	**58.5**	91.8	**1,772.7**	1,599.3
Cash and cash equivalents	24	**843.9**	1,048.1	**623.7**	787.8
Current tax assets		**–**	–	**9.3**	20.2
		4,068.6	4,215.7	**2,405.7**	2,407.3
Total assets		**4,489.3**	4,651.7	**5,696.4**	5,718.1
Liabilities					
Non-current liabilities					
Trade and other payables	20	**(178.0)**	(270.4)	**(0.4)**	(0.1)
Deferred tax liabilities	22	**(25.2)**	(27.7)	**(13.2)**	(15.4)
Partnership liability	28	**(31.6)**	(35.2)	**–**	–
		(234.8)	(333.3)	**(13.6)**	(15.5)
Current liabilities					
Trade and other payables	20	**(911.7)**	(1,058.5)	**(3,738.9)**	(3,804.9)
Partnership liability	28	**(5.5)**	(5.4)	**–**	–
Current tax liabilities		**(79.0)**	(60.0)	**–**	–
		(996.2)	(1,123.9)	**(3,738.9)**	(3,804.9)
Total liabilities		**(1,231.0)**	(1,457.2)	**(3,752.5)**	(3,820.4)
Net assets		**3,258.3**	3,194.5	**1,943.9**	1,897.7
Equity					
Ordinary share capital issued	23	**31.9**	31.7	**31.9**	31.7
Share premium		**19.2**	15.5	**19.2**	15.5
Capital redemption reserve		**236.5**	236.5	**236.5**	236.5
Other non-distributable reserve		**276.8**	276.8	**–**	–
Retained earnings		**2,693.9**	2,634.0	**1,656.3**	1,614.0
Total equity		**3,258.3**	3,194.5	**1,943.9**	1,897.7

The profit for the year dealt with in the accounts of the Company is £832.6m (2018: £878.7m).

The financial statements of Persimmon Plc (Company number: 1818486) on pages 129 to 177 were approved by the Board of Directors on 26 February 2020 and were signed on its behalf by:

D Jenkinson
Group Chief Executive

M H Killoran
Group Finance Director

Statement of changes in Shareholders' Equity

For the year ended 31 December 2019

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other non-distributable reserve £m	Retained earnings £m	Total £m
Group						
Balance at 1 January 2018	30.9	13.5	236.5	276.8	2,643.9	3,201.6
Profit for the year	–	–	–	–	886.4	886.4
Other comprehensive income	–	–	–	–	16.4	16.4
Transactions with owners:						
Dividends on equity shares	–	–	–	–	(732.3)	(732.3)
Issue of new shares	0.8	2.0	–	–	–	2.8
Own shares purchased	–	–	–	–	(1.3)	(1.3)
Exercise of share options/share awards	–	–	–	–	(1.0)	(1.0)
Share-based payments	–	–	–	–	1.1	1.1
Net settlement of share-based payments	–	–	–	–	(180.2)	(180.2)
Satisfaction of share options from own shares held	–	–	–	–	1.0	1.0
Balance at 31 December 2018	31.7	15.5	236.5	276.8	2,634.0	3,194.5
Profit for the year	–	–	–	–	848.8	848.8
Other comprehensive expense	–	–	–	–	(22.4)	(22.4)
Transactions with owners:						
Dividends on equity shares	–	–	–	–	(747.8)	(747.8)
Issue of new shares	0.2	3.7	–	–	–	3.9
Exercise of share options/share awards	–	–	–	–	(0.5)	(0.5)
Share-based payments	–	–	–	–	8.2	8.2
Net settlement of share-based payments	–	–	–	–	(26.9)	(26.9)
Satisfaction of share options from own shares held	–	–	–	–	0.5	0.5
Balance at 31 December 2019	**31.9**	**19.2**	**236.5**	**276.8**	**2,693.9**	**3,258.3**

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.

The Board have decided to net settle the withholding tax obligations associated with the exercise of the Persimmon Plc 2012 Long Term Incentive Plan option. There are currently no plans to extend this decision to other share options.

Statement of Changes in Shareholders' Equity

For the year ended 31 December 2019 *continued*

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total £m
Company					
Balance at 1 January 2018	30.9	13.5	236.5	1,634.4	1,915.3
Profit for the year	–	–	–	878.7	878.7
Other comprehensive income	–	–	–	16.4	16.4
Transactions with owners:					
Dividends on equity shares	–	–	–	(732.3)	(732.3)
Issue of new shares	0.8	2.0	–	–	2.8
Own shares purchased	–	–	–	(1.3)	(1.3)
Exercise of share options/share awards	–	–	–	(1.0)	(1.0)
Share-based payments	–	–	–	(1.7)	(1.7)
Net settlement of share-based payments	–	–	–	(180.2)	(180.2)
Other reserve movements	–	–	–	1.0	1.0
Balance at 31 December 2018	**31.7**	**15.5**	**236.5**	**1,614.0**	**1,897.7**
Profit for the year	–	–	–	832.6	832.6
Other comprehensive expense	–	–	–	(22.4)	(22.4)
Transactions with owners:					
Dividends on equity shares	–	–	–	(747.8)	(747.8)
Issue of new shares	0.2	3.7	–	–	3.9
Exercise of share options/share awards	–	–	–	(0.5)	(0.5)
Share-based payments	–	–	–	6.8	6.8
Net settlement of share-based payments	–	–	–	(26.9)	(26.9)
Other reserve movements	–	–	–	0.5	0.5
Balance at 31 December 2019	**31.9**	**19.2**	**236.5**	**1,656.3**	**1,943.9**

During the year the Company received dividends from wholly owned subsidiary undertakings of £860.0m (2018: £885.0m).

Retained earnings include £11.9m of non-distributable items (2018: £15.6m).

The other non-distributable reserve arose prior to transition to IFRSs.

Cash Flow Statements

For the year ended 31 December 2019

	Note	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Cash flows from operating activities:					
Profit for the year		**848.8**	886.4	**832.6**	878.7
Tax charge/(credit)	10.1	**192.0**	204.4	**(6.2)**	(2.3)
Finance income	8	**(20.5)**	(20.4)	**(4.2)**	(6.4)
Finance costs	8	**9.1**	12.3	**1.3**	1.4
Depreciation charge	14	**13.3**	10.0	**1.1**	0.6
Amortisation of intangible assets	13	**–**	–	**0.3**	0.2
Impairment of intangible assets	13	**7.3**	9.2	**–**	–
Share-based payment charge		**3.7**	7.9	**3.7**	7.9
Net imputed interest income		**7.7**	1.9	**–**	–
Other non-cash items		**(7.6)**	(0.2)	**2.2**	7.9
Cash inflow from operating activities		**1,053.8**	1,111.5	**830.8**	888.0
Movements in working capital:					
Increase in inventories		**(87.7)**	(225.5)	**–**	–
Decrease/(increase) in trade and other receivables		**6.3**	(26.7)	**(186.8)**	(274.1)
(Decrease)/increase in trade and other payables		**(225.6)**	(82.7)	**(45.9)**	6.7
Decrease in shared equity loan receivables		**31.4**	41.6	**–**	–
Cash generated from operations		**778.2**	818.2	**598.1**	620.6
Interest paid		**(4.2)**	(3.9)	**(1.4)**	(1.6)
Interest received		**5.6**	5.8	**1.6**	2.6
Tax (paid)/received		**(159.6)**	(165.8)	**29.5**	22.0
Net cash inflow from operating activities		**620.0**	654.3	**627.8**	643.6
Cash flows from investing activities:					
Joint venture net funding movement		**0.9**	–	**–**	–
Purchase of property, plant and equipment	14	**(27.5)**	(15.5)	**(0.7)**	(1.6)
Proceeds from sale of property, plant and equipment		**0.7**	0.5	**–**	–
Net cash outflow from investing activities		**(25.9)**	(15.0)	**(0.7)**	(1.6)
Cash flows from financing activities:					
Lease capital payments		**(3.8)**	–	**(0.2)**	–
Payment of Partnership Liability		**(3.4)**	(3.2)	**–**	–
Own shares purchased		**–**	(1.3)	**–**	(1.3)
Share options consideration		**3.9**	2.8	**4.0**	2.8
Net settlement of share-based payments		**(47.2)**	(159.9)	**(47.2)**	(159.9)
Dividends paid	11	**(747.8)**	(732.3)	**(747.8)**	(732.3)
Net cash outflow from financing activities		**(798.3)**	(893.9)	**(791.2)**	(890.7)
Decrease in net cash and cash equivalents	24	**(204.2)**	(254.6)	**(164.1)**	(248.7)
Cash and cash equivalents at the beginning of the year		**1,048.1**	1,302.7	**787.8**	1,036.5
Cash and cash equivalents at the end of the year	24	**843.9**	1,048.1	**623.7**	787.8

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

The following relevant new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2019:

- IFRS 16 Leases
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Prepayment Features with Negative Compensation

With the exception of IFRS 16 Leases, the effects of the implementation of these standards have been limited to presentational and disclosure amendments.

The Group have adopted the modified (asset = liability) retrospective approach on implementation of IFRS 16 Leases and have not amended the prior year comparatives. The Group operate a number of leases that are affected by this new standard, principally in relation to office properties and vehicles. At 31 December 2019, a 'right of use' asset of £8.4m is reported within Property, plant and equipment. The associated lease liability, reported within Trade and other payables, is £8.9m at 31 December 2019.

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

- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 18 Definition of Material
- Amendments to Reference to Conceptual Framework in IFRS Standards

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

2 Accounting policies

Statement of compliance

Both the consolidated Group and Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) including International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under accounting standards as adopted for use in the EU.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 to 63. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 22 to 34 and 64 to 65 of the Strategic Report. Further disclosures regarding borrowings are provided in note 19 to the financial statements. In addition, note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Directors have assessed the future funding requirements of the Group and the Company and compared it to the level of committed bank facilities and cash resources over the medium term. The assessment included a review of the financial forecasts and the preparation of sensitivity analysis on the key factors which could affect future cash flow and funding requirements.

The Group's policy on funding capacity is to ensure that it always has sufficient committed bank facilities in place to meet foreseeable peak working capital requirements. At 31 December 2019 the Group had cash and deposits of £843.9m and £300.0m of undrawn committed bank facilities available to meet future funding requirements.

At 31 December 2019, the Group had cash and cash equivalents of £843.9m (note 24).

Having undertaken this review, the Directors have a reasonable expectation that the Group has adequate resources to fund its operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

2 Accounting policies continued

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries up to 31 December each year. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect the returns through its power over the entity. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The subsidiary's identifiable assets, liabilities and contingent liabilities are recognised at their fair value at the acquisition date.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of the acquisition. Goodwill arising on acquisition of subsidiaries and businesses is capitalised as an asset. Goodwill is subsequently measured at cost less any accumulated impairment losses.

Brand intangibles

Internally generated brands are not held on the balance sheet. The Group carries assets on the balance sheet only for brands that have been acquired. Acquired brand values are calculated based on discounted cash flows. No amortisation is charged on brand intangibles as the Group believes that the value of the brands is maintained indefinitely. The factors that result in the durability of the brands capitalised are that there are no material legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of these intangibles. The acquired brands are tested annually for impairment by performing a value in use calculation, using a discount factor based on the Group's pre-tax weighted average cost of capital, on the branded income stream.

Where a brand's life is not deemed to be indefinite it is written off over its expected useful life on a straight-line basis.

Revenue recognition

Revenue is recognised as the fair value of the consideration received or receivable on legal completion of a newly built residential property sale. Revenue also includes amounts contractually due under a development agreement at the balance sheet date relating to the stage of completion of a contract as measured by surveys of work performed to date and the fair value of the consideration received or receivable on the sale of part exchange properties.

Revenue relating to the provision of internet services is recognised on as the service is provided.

Government grants

Grants are included within work in progress in the balance sheet and are credited to the statement of comprehensive income over the life of the developments to which they relate. Grants related to income are deducted from the related expense in the statement of comprehensive income.

Other operating income

Other operating income comprises profits from the sale of land holdings, freehold reversions, rent receivable, and other incidental sundry income.

Operating expenses

Operating expenses represent the administration costs of the business, which are written off to the statement of comprehensive income as incurred.

Borrowing costs

Interest bearing bank loans, overdrafts and Partnership liabilities are initially measured at fair value (being proceeds received, net of direct issue costs) and are subsequently measured at amortised cost, using the effective interest rate method. Finance charges, including direct issue costs are accounted for and taken to the statement of comprehensive income using the effective interest rate method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

2 Accounting policies continued

Where bank agreements include a legal right of offset for in hand and overdraft balances, and the Group intends to settle the net outstanding position, the offset arrangements are applied to record the net position in the balance sheet.

Exceptional items

Exceptional items are items of income and expenditure that, in the judgement of management, should be disclosed separately on the basis that they are material, either by their nature or their size, to an understanding of the financial performance and significantly distort the comparability of financial performance between accounting periods. Items of income or expense that are considered by management for designation as exceptional include such items as major restructuring and significant impairment of assets.

Share-based payments

Charges for employee services received in exchange for share-based payment have been made for all options/awards in accordance with IFRS 2 Share-based Payment, to spread the fair value of the grant over the anticipated vesting period.

The fair value of such options has been calculated using generally accepted option pricing models, based upon publicly available market data at the point of grant. Share options include both market and non-market conditions. Market conditions are considered in the establishment of the initial valuation of the options. In the event of failure to meet market conditions share-based payment charges are not reversed. In the event of failure to meet non-market conditions share-based payment charges are reversed.

Where options are net settled in respect of withholding tax obligations, these are accounted for as equity settled transactions. Payments to HMRC are accounted for as a deduction from equity for the shares withheld, except to the extent (if any) that the payment exceeds the fair value of shares withheld, in which case the excess will be charged to the statement of comprehensive income.

Share-based payments are charged wholly in the ultimate Parent Company.

Retirement benefit costs

The Group operates two defined benefit pension schemes. It also operates two defined contribution schemes for employees who are not members of a defined benefit scheme. The asset/liability in respect of the defined benefit schemes is the present value of the defined benefit obligation at the balance sheet date, less the fair value of the schemes' assets, together with adjustments for remeasurement gains and losses. Where a net asset results it is limited to the present value of economic benefits available in the form of future refunds from the scheme or reductions in future contributions, subject to any minimum funding requirements. Further details of the schemes and the valuation methods applied may be found in note 27.

Interest cost on the scheme liabilities and finance returns on scheme assets are recognised at the applicable discount rate as net finance income/costs in the statement of comprehensive income and remeasurement gains and losses via the statement of other comprehensive income.

Subsidiary entities bear a charge for current employees based upon their current pensionable salaries. Differences between this charge and the current service cost are borne by the Company as the legal sponsor, as are all experience gains and losses. There is no contractual arrangement or stated policy for recharging the other Group entities involved in the Scheme.

Payments to the defined contribution schemes are accounted for on an accruals basis. Once the payments have been made, the Group has no further payment obligations.

Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using enacted or substantially enacted tax rates, and adjusted for any tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting or taxable profit, and differences relating to investment in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the carrying amount of assets and liabilities, using the tax rates applicable, or expected to be applicable at the date of settlement, based on enacted rates at the reporting date.

Where the deferred tax asset recognised in respect of share-based payments would give rise to a credit in excess of the related accounting charge at the prevailing tax rate the excess is recognised directly in equity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities when the Group intends to settle its current tax assets and liabilities on a net basis.

Leases

The Group recognises a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Group recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

2 Accounting policies continued

Right of use assets are recognised at the commencement date of the lease and are measured at cost. The right of use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets.

The Group recognises lease liabilities at the commencement date of the lease and are measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The Group applies the short-term lease exemption and the low value asset recognition exemption to leases that have a lease term of 12 months or less from commencement date or are considered to be low value. Lease payments on short-term leases or leases of low value assets are charged to work in progress or operating expenses on a straight line basis over the lease term.

Property, plant and equipment

It is the Group's policy to hold property, plant and equipment at cost less accumulated depreciation, subject to the requirement to test assets for impairment.

Depreciation on property, plant and equipment is provided using the straight line method to write off the cost less any estimated residual value, over the estimated useful lives on the following bases:

Plant and equipment – 3 to 5 years.

Fixtures and fittings – 3 to 5 years.

Owned utility infrastructure – 15 to 40 years.

Freehold buildings – 50 years.

No depreciation is provided on freehold land.

The assets' useful economic lives and residual values are reviewed and adjusted, if appropriate, at each financial year end. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Investments

Interests in subsidiary undertakings are valued at cost less impairment. Other investments are stated at fair value.

Joint ventures

A joint venture is an entity in which the Group holds an interest with one or more other parties where a contractual arrangement has established joint control over the entity, and where the arrangements entitle the Group to a share of the net assets of the entity.

Investments in joint ventures are accounted for under the equity method of accounting.

Joint operations

A joint operation is an arrangement or entity in which the Group holds an interest with one or more other parties where a contractual arrangement has established joint control over the operation and where the arrangements entitle the Group to rights over specific assets or obligations of the operation. The Group recognises its share of revenue, costs, assets and liabilities for its joint operations.

Shared equity loan receivables

Receivables on extended terms granted as part of a sales transaction are secured by way of a second legal charge on the respective property. The loans are classified as financial assets held at fair value through profit or loss and are carried in the balance sheet at fair value with net changes in fair value recognised in the statement of comprehensive income as described in note 16.

Inventories

Inventories are stated at the lower of cost and net realisable value. Land with planning includes undeveloped land and land under development and is initially recorded at discounted cost. Where, through deferred purchase credit terms, the carrying value differs from the amount that will ultimately be paid in settling the liability, this difference is charged as a finance cost in the statement of comprehensive income over the period of settlement. Work in progress comprises direct materials, labour costs, site overheads, associated professional charges and other attributable overheads. Net realisable value represents the estimated selling prices less all estimated costs of completion and overheads. Investments in land without the benefit of a planning consent are initially included at cost. Regular reviews are carried out to identify any impairment in the value of the land considering the existing use value of the land and the likelihood of achieving a planning consent and the value thereof. Provision is made to reflect any irrecoverable amounts.

Expenditure relating to forward land, including options and fees, is held at cost. If the option expires or the Directors no longer consider it likely that the option will be exercised prior to the securing of planning permission, the amount is written off on that date.

Impairment of financial assets

The Group recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit and loss. Expected credit losses are based on the difference between the contracted cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and, in the Parent Company, intercompany receivables, the Group applies a simplified approach in calculating expected credit losses. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date.

2 Accounting policies continued

Inter-Group guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Trade and other payables

Trade payables on normal terms are not interest bearing and are stated at amortised cost. Trade payables on extended terms, particularly in respect of land purchases, are initially recorded at their fair value and subsequently measured at amortised cost using the effective interest method.

Deposits

New property deposits and on account contract receipts are held within current trade and other payables until the legal completion of the related property or cancellation of the sale.

Cash and cash equivalents

Cash and cash equivalents include cash and balances in the bank accounts with no notice or less than three months' notice from inception, and are subject to insignificant risk of changes in value.

Interest bearing borrowings

Interest bearing borrowings and Partnership liabilities are carried at amortised cost.

Dividends

Dividends receivable by the Parent Company from subsidiaries are accounted for on a cash basis, or once formally approved by the shareholders of the subsidiary companies.

Dividends payable are recorded in the period in which they are approved or paid, whichever is earliest.

Own shares held

The Group may acquire holdings in its own shares either directly or via employee benefit trusts. The acquisition cost of such shares (including associated purchase costs) is treated as a deduction from retained earnings. Such shares may be used in satisfaction of employee options or rights, in which case the cost of such shares is reversed from the profit reserves on a 'first in first out' basis.

Transactions of the Company sponsored EBT are treated as being those of the Company and are therefore reflected in the Company financial statements. In particular, the trust's purchases and sales of shares in the Company are debited and credited directly to equity.

3 Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies which are described in note 2, the Directors have made no individual judgements that have a significant impact upon the financial statements, excepting those involving estimation which are dealt with below.

The key sources of estimation uncertainty at the balance sheet date are:

Land and work in progress

Valuations which include an estimation of costs to complete and remaining revenues are carried out at regular intervals throughout the year, during which site development costs are allocated between units built in the current year and those to be built in future years. These assessments include a degree of inherent uncertainty when estimating the profitability of a site and in assessing any impairment provisions which may be required. During the year ended 31 December 2019, the Group conducted reviews of the net realisable value of its inventory carrying values. This review did not result in any further net reversal of the previous write downs of inventories. The reviews were conducted on a site by site basis, using valuations that incorporated selling price and development cost movements, based on local management and the Board's assessment of market conditions existing at the balance sheet date. If there are significant movements in UK house prices or development costs beyond management's expectations then further impairments/reversals of previous write downs of land and work in progress may be necessary.

Shared equity loan receivables

Shared equity loan receivables comprise loans granted as part of sales transactions that are secured by way of a second legal charge on the respective property. The fair value of these receivables is determined by taking into account factors such as the length of time that the loan has been outstanding, market conditions, including those in respect of house price inflation, forced sale discount and probability of borrower default.
The variables used are kept under regular review to ensure that as far as possible they reflect current economic circumstances; however changes in house prices, redemption dates, interest rates, unemployment levels and bankruptcy trends in the UK could result in actual returns differing from reported valuations. At 31 December 2019 the loan recognised on the balance sheet was £68.6m (2018: £86.9m).

3 Critical accounting judgements and key sources of estimation uncertainty continued

Goodwill

The impairment testing of goodwill is substantially dependent upon the ability of the Group to successfully progress its strategic land holdings. The assumptions on which this estimate is based may be undermined by any significant changes in the current planning regime, or adverse economic conditions in the UK. The carrying amount of goodwill at the balance sheet date was £126.1m with an impairment of £7.3m recognised during the year.

Brand intangibles

The intangible brand assets have been assessed against the discounted cash flows arising. These are based upon estimated returns from the related businesses, which may be impacted by various factors, most notably Government social housing policy and further deterioration in the economic conditions in the UK. The carrying amount of indefinite life brands at the balance sheet date was £60.0m, with no impairment recognised during the year ended 31 December 2019.

Pensions

The Directors have employed the services of a qualified, independent actuary in assessing pension assets/liabilities. However, they recognise that final liabilities and asset returns may differ from actuarial estimates and therefore the ultimate pension asset/liability may differ from that included in the financial statements.

4 Principal activities

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

5 Revenue

An analysis of the Group's revenue is as follows:

	2019 £m	2018 £m
Revenue from the sale of new housing	**3,420.1**	3,545.8
Revenue from the sale of part exchange properties	**228.6**	191.8
Revenue from the provision of internet services	**0.7**	–
Revenue from the sale of goods and services as reported in the statement of comprehensive income	**3,649.4**	3,737.6
Other operating income	**8.8**	5.6
Finance income	**20.5**	20.4
	3,678.7	3,763.6

Sale of goods includes £240.9m (2018: £202.1m) in respect of the value of properties accepted in part exchange by the Group on the sale of new housing.

6 Key management remuneration

Key management personnel, as disclosed under IAS 24 Related Party Disclosures, have been identified as the Board of Directors. Detailed disclosures of individual remuneration, pension entitlements and share options, for those Directors who served during the year, are given in the Annual Report on Remuneration on pages 98 to 120. A summary of key management remuneration is as follows:

	2019 £m	2018 £m
Short-term benefits	**1.9**	2.8
Share-based payments	**–**	3.0
	1.9	5.8

No termination benefits were paid to key management personnel. Total gains on exercise of options by key management in the year amount to £52.1m (2018: £121.5m).

7 Employees

Group

The average monthly number of persons (including Executive Directors) employed by the Group during the year was 5,097 (2018: 4,809).

	2019 £m	2018 £m
Staff costs (for the above persons):		
Wages and salaries	**192.6**	178.5
Social security costs	**21.3**	14.1
Pensions charge	**4.1**	9.6
Share-based payments	**3.7**	7.9
	221.7	210.1

The Group also uses the services of a substantial number of self employed labour only site operatives.

Company

The average monthly number of persons (including Executive Directors) employed by the Company during the year was 232 (2018: 234).

	2019 £m	2018 £m
Staff costs (for the above persons):		
Wages and salaries	**11.5**	13.8
Social security costs	**2.9**	1.5
Pensions charge	**–**	6.5
Share-based payments	**3.7**	7.9
	18.1	29.7

8 Net finance income

	2019 £m	2018 £m
Recognised in profit after tax		
Interest receivable on bank deposits	**3.2**	3.6
Gains on shared equity loan receivables	**13.1**	11.2
Net interest on pension asset	**2.7**	1.7
Other interest receivable	**1.5**	3.9
Finance income	**20.5**	20.4
Interest expense on bank overdrafts and loans	**1.8**	1.0
Imputed interest on deferred land payables	**5.4**	9.3
Interest on Partnership liability	**1.9**	2.0
Finance costs	**9.1**	12.3
Net finance income	**11.4**	8.1

9 Profit from operations

	2019 £m	2018 £m
Profit from operations is stated after charging/(crediting):		
Staff costs (note 7)	**221.7**	210.1
Profit on sale of land holdings	**(2.0)**	(1.3)
Government grants	**(0.3)**	(0.2)
Rent receivable	**(3.9)**	(3.2)
Profit on sale of property, plant and equipment	**(0.6)**	(0.5)
Depreciation of owned assets	**13.3**	10.0
Impairment of intangible assets	**7.3**	9.2
Operating lease charges	**–**	5.2

The Group did not receive any new Government grants in either year, however the Group's customers have benefited from the availability of finance through the Government's 'Help to Buy' scheme which has provided indirect assistance to the Group.

Amounts receivable by the auditor, Ernst & Young LLP, and their associates in respect of:

	2019 £'000	2018 £'000
Audit fees		
Audit of the Parent Company and consolidated financial statements	**280**	176
The audit of the Company's subsidiaries pursuant to legislation	**25**	20
Total fees for the audit of the Company and its subsidiaries	**305**	196
Non-audit fees		
Audit related assurance services	**50**	48
Total non-audit fees	**50**	48
	355	244

The extent of non-audit fees and non-audit related service fees payable to Ernst & Young LLP and its affiliated entities are reviewed by the Audit Committee in the context of fees paid by the Group to its other advisors during the year. The Committee also reviews the nature and extent of non-audit services to ensure that independence is maintained.

Fees to major firms of accountants other than Ernst & Young LLP and its affiliated entities for non-audit services amounted to £65,526 (2018: £123,788).

10 Tax

10.1 Analysis of the tax charge for the year

	2019 £m	2018 £m
Tax charge comprises:		
UK corporation tax in respect of the current year	**196.7**	202.1
Adjustments in respect of prior years	**(8.2)**	(5.0)
	188.5	197.1
Deferred tax relating to origination and reversal of temporary differences	**3.2**	6.9
Adjustments recognised in the current year in respect of prior years deferred tax	**0.3**	0.4
	3.5	7.3
	192.0	204.4

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

	2019 £m	2018 £m
Profit from continuing operations	**1,040.8**	1,090.8
Tax calculated at UK corporation tax rate of 19.0% (2018: 19.0%)	**197.7**	207.3
Accounting base cost not deductible for tax purposes	**0.5**	0.5
Goodwill impairment losses that are not deductible	**1.4**	1.7
Expenditure not allowable for tax purposes	**0.2**	0.3
Effect of change in rate of corporation tax	**–**	(2.2)
Deferred tax written off on lapsed share-based payments	**0.1**	1.4
Adjustments in respect of prior years	**(7.9)**	(4.6)
Tax charge for the year recognised in profit	**192.0**	204.4

The Group's overall effective tax rate of 18.5% 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. In relation to the Group's deferred tax calculations, the corporation tax rate change enacted on 15 September 2016 effective from 1 April 2020 (17%) has been used unless timing differences are expected to reverse in 2020 or 2021.

10.2 Deferred tax recognised in other comprehensive income (note 22)

	2019 £m	2018 £m
Recognised on remeasurement (loss)/gain on pension schemes	**(4.6)**	3.3

10.3 Tax recognised directly in equity

	2019 £m	2018 £m
Arising on transactions with equity participants		
Current tax related to equity settled transactions	**(9.9)**	(65.0)
Deferred tax related to equity settled transactions (note 22)	**5.4**	71.7
	(4.5)	6.7

11 Dividends/Return of capital

	2019 £m	2018 £m
Amounts recognised as distributions to capital holders in the period:		
2017 dividend to all shareholders of 125p per share paid 2018	–	388.5
2017 dividend to all shareholders of 110p per share paid 2018	–	343.8
2018 dividend to all shareholders of 125p per share paid 2019	**397.7**	–
2018 dividend to all shareholders of 110p per share paid 2019	**350.1**	–
Total capital return	**747.8**	732.3

The Directors propose to return 125 pence of surplus capital to shareholders for each ordinary share held on 6 March 2020 with payment made on 2 April 2020 as an interim dividend in respect of the financial year ended 31 December 2019. The Directors propose the payment of a capital return of 110 pence per share, with payment scheduled for 6 July 2020 as a final dividend with respect to the financial year ended 31 December 2019, to shareholders for each ordinary share held on 12 June 2020. The total return to shareholders is therefore 235 pence per share (2018: 235 pence per share) in respect of the financial year ended 31 December 2019.

The Parent Company received £860.0m dividends from wholly owned subsidiary undertakings during 2019 (2018: £885.0m).

12 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee benefit trusts (see note 23) and any treasury shares, all of which are treated as cancelled, which were 318.1m (2018: 312.9m).

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 318.8m (2018: 315.7m).

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

	2019	2018
Basic earnings per share	**266.8p**	283.3p
Underlying basic earnings per share	**269.1p**	286.3p
Diluted earnings per share	**266.3p**	280.8p
Underlying diluted earnings per share	**268.6p**	283.7p

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

	2019 £m	2018 £m
Underlying earnings attributable to shareholders	**856.1**	895.6
Goodwill impairment	**(7.3)**	(9.2)
Earnings attributable to shareholders	**848.8**	886.4

13 Intangible assets

Group	Goodwill £m	Brand £m	Know-how £m	Total £m
Cost				
At 1 January 2018, 1 January 2019 and 31 December 2019	**408.8**	**60.0**	**1.9**	**470.7**
Accumulated impairment losses/amortisation				
At 1 January 2018	266.2	–	1.9	268.1
Impairment losses for the year – utilisation of strategic land holdings	9.2	–	–	9.2
At 1 January 2019	**275.4**	**–**	**1.9**	**277.3**
Impairment losses for the year – utilisation of strategic land holdings	7.3	–	–	7.3
At 31 December 2019	**282.7**	**–**	**1.9**	**284.6**
Carrying amount				
At 31 December 2019	**126.1**	**60.0**	**–**	**186.1**
At 31 December 2018	133.4	60.0	–	193.4

Goodwill brought forward at the start of the year of £133.4m includes £110.2m (2018: £117.7m) which arose on acquisitions before the date of transition to IFRSs and is retained at the previous UK GAAP amounts, subject to being tested for impairment. £37.0m (2018: £37.0m) of this amount represented the brand value of Charles Church, acquired with Beazer Group plc in 2001.

Acquired brand values, including the brand value of Charles Church which is classified as goodwill as this was acquired before the date of transition to IFRSs, are calculated based on discounted cash flows and are tested annually for impairment. The remainder of goodwill is allocated to acquired strategic land holdings and is tested annually for impairment.

The recoverable amounts of the intangibles are determined from value in use calculations. Goodwill is allocated for impairment testing purposes down to a lower level than the Group's single operating segment, being to Charles Church and to the portfolios of strategic land holdings throughout the UK acquired with Beazer and Westbury. The key assumptions for value in use calculations are those regarding discount and growth rates. Growth rates incorporate volume, selling price and direct cost changes.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management and extrapolated for four years, to form the basis of the Group's five year business plan. When performing the impairment review of the brands, the relevant retraction/growth rates included therein vary between 0% to +2% (2018: -12% to +2%), reflecting the potential economic uncertainties associated with the UK's withdrawal from the EU.

The retraction/growth rates in relation to the impairment review of goodwill allocated to strategic land holdings vary between 0% to +2% (2018: -2% to +3%).

After this period the growth rates applied to calculate the cash flow forecasts vary between nil and 2% (2018: nil and 2%) reflecting management's estimate of the forecast recovery in the UK housing market, which do not exceed the long term average growth rates for the industry.

Management used pre-tax discount factors between 5% and 7% (2018: 5% and 7%) over the forecast periods.

13 Intangible assets continued

The goodwill allocated to acquired strategic land holdings is further tested by reference to the proportion of legally completed plots in the period compared to the total plots which are expected to receive satisfactory planning permission in the remaining strategic land holdings, taking account of historic experience and market conditions. This review resulted in an underlying impairment of £7.3m (2018: £9.2m). This charge reflects ongoing consumption of the acquired strategic land holdings. The effect of testing goodwill for impairment in the manner set out is that the goodwill will be completely impaired once the final plot for which management expects to receive a satisfactory planning permission is sold.

On concluding the annual impairment testing, there remains £67.1m (2018: £73.3m) and £22.2m (2018: £23.1m) of Beazer and Westbury goodwill allocated to strategic land holdings and £37.0m (2018: £37.0m) allocated to the Charles Church brand. In addition, there is £60.0m (2018: £60.0m) of carrying value in relation to the Westbury brand.

No reasonable possible change in any of the assumptions noted above would lead to an impairment charge being required. However, in the event of deterioration in the UK housing market conditions, operating margins reducing, or appropriate discount rates increasing the possibility of impairment losses in the future remains.

Company	Trademarks £m
Cost	
At 1 January 2018, 1 January 2019 and 31 December 2019	**5.0**
Amortisation	
At 1 January 2018	3.5
Charge for the year	0.2
At 1 January 2019	3.7
Charge for the year	0.3
At 31 December 2019	**4.0**
Carrying amount	
At 31 December 2019	**1.0**
At 31 December 2018	1.3

14 Property, plant and equipment

Group	Land and buildings £m	Plant £m	Fixtures and fittings £m	Total £m
Cost				
At 1 January 2018	35.6	77.8	15.6	129.0
Additions	0.9	9.8	4.8	15.5
Disposals	–	(1.7)	(0.1)	(1.8)
At 1 January 2019	36.5	85.9	20.3	142.7
Additions	9.1	19.1	9.2	37.4
Disposals	–	(1.7)	(0.2)	(1.9)
At 31 December 2019	**45.6**	**103.3**	**29.3**	**178.2**
Accumulated depreciation				
At 1 January 2018	4.6	59.6	12.3	76.5
Charge for the year	0.7	7.4	1.9	10.0
Disposals	–	(1.7)	(0.1)	(1.8)
At 1 January 2019	5.3	65.3	14.1	84.7
Charge for the year	1.5	9.7	2.1	13.3
Disposals	–	(1.6)	(0.2)	(1.8)
At 31 December 2019	**6.8**	**73.4**	**16.0**	**96.2**
Carrying amount				
At 31 December 2019	**38.8**	**29.9**	**13.3**	**82.0**
At 31 December 2018	31.2	20.6	6.2	58.0

At 31 December 2019, the Group had £0.3m contractual commitments for the acquisition of property, plant and equipment (2018: £0.1m).

At 31 December 2019, the Group had £nil held for sale (2018: £nil).

Within additions for the year are £12.2m of 'Right of Use' assets. This includes £9.8m on initial recognition of 'Right of Use' assets on implementation of IFRS 16 Leases. At 31 December 2019 a 'Right of Use' asset of £8.4m is reported within Property, plant and equipment.

14 Property, plant and equipment continued

Company	Land and buildings £m	Plant £m	Computer equipment, fixtures and fittings £m	Total £m
Cost				
At 1 January 2018	2.0	–	3.6	5.6
Additions	–	–	1.6	1.6
Disposals	–	–	(0.1)	(0.1)
At 1 January 2019	2.0	–	5.1	7.1
Additions	–	0.6	0.7	1.3
Disposals	–	–	(0.2)	(0.2)
At 31 December 2019	**2.0**	**0.6**	**5.6**	**8.2**
Accumulated depreciation				
At 1 January 2018	0.6	–	2.5	3.1
Charge for the year	–	–	0.6	0.6
Disposals	–	–	(0.1)	(0.1)
At 1 January 2019	0.6	–	3.0	3.6
Charge for the year	–	0.2	0.9	1.1
Disposals	–	–	(0.2)	(0.2)
At 31 December 2019	**0.6**	**0.2**	**3.7**	**4.5**
Carrying amount				
At 31 December 2019	**1.4**	**0.4**	**1.9**	**3.7**
At 31 December 2018	1.4	–	2.1	3.5

15 Investments

15.1 Investments accounted for using the equity method

Group	Investments in joint ventures £m
Cost	
At 1 January 2018 and 1 January 2019	**3.0**
Distributions	(0.9)
At 31 December 2019	**2.1**

The Group's principal investments in joint ventures comprise:

	Share of ordinary allotted capital held by the Group	Accounting date
Balaia Golf Village Realizacoes Imobiliaria Turísticos S.A. – Portugal	50%	31 December
Balvil – Gestão de Empreendimentos Turísticos Lda – Portugal	50%	31 December
Empreendimentos Turísticos da Armacao Nova Lda – Portugal	50%	31 December

Investments in joint ventures are accounted for under the equity method of accounting. All principal joint ventures have a single external partner holding a 50% interest giving an equal interest in the trade and net assets of the joint ventures. There are no significant restrictions on these entities.

15 Investments continued

The Group's share of assets and liabilities of joint ventures is shown below:

	2019 £m	2018 £m
Non-current assets	**0.8**	0.9
Current assets	**6.3**	6.7
Current liabilities	**(5.0)**	(4.6)
Net assets of joint ventures	**2.1**	3.0

The Group's share of the income and expenses of joint ventures is as follows:

	2019 £m	2018 £m
Income	**7.0**	3.3
Expenses	**(7.0)**	(3.3)
Share of results of joint ventures	**–**	–

15.2 Investments in subsidiaries

Company	2019 £m	2018 £m
Cost		
At 1 January 2018, 31 December 2018 and 31 December 2019	**3,540.7**	3,540.7
Impairment		
At 1 January 2018, 31 December 2018 and 31 December 2019	**335.0**	335.0
Net book value		
At 31 December	**3,205.7**	3,205.7

The annual review of the carrying value of the investment in subsidiaries identified £nil impairment issues (2018: £nil impairment). Details of Group undertakings are set out in notes 31 and 32.

16 Shared equity loan receivables

Group	2019 £m	2018 £m
At 1 January	**86.9**	117.3
Settlements	**(31.4)**	(41.6)
Gains (Finance income)	**13.1**	11.2
At 31 December	**68.6**	86.9

All gains/losses recognised are through finance income in the statement of comprehensive income. Of the gains recognised in finance income for the period £7.1m (2018: £3.0m) was unrealised.

Shared equity loan receivables, comprise loans, largely with a ten year term and variable repayment amounts, provided as part of sales transactions that are secured by way of a second legal charge on the related property. Loans are repayable at the borrowers option, on sale or transfer of the related property or other redemption of the first legal charge or at the end of the fixed term. The loans are recorded at fair value, being the estimated future amount receivable by the Group, discounted to present day values. The fair value of future anticipated cash receipts takes into account the Directors' view of future house price movements, the expected timing of receipts and the likelihood that a purchaser defaults on a repayment.

The Directors revisit the future anticipated cash receipts from the loans at the end of each financial reporting period. The difference between the anticipated future receipt and the initial fair value is credited over the estimated deferred term to finance income, with the loan increasing to its full expected cash settlement value on the anticipated receipt date. Credit risk, which the Directors currently consider to be largely mitigated through holding a second legal charge over the assets, is accounted for in determining fair values and appropriate discount factors are applied. The Directors expect an average maturity profile of between five and ten years from the balance sheet date.

Further disclosures relating to loans are set out in note 21.

17 Inventories

	2019 £m	2018 £m
Land	**1,938.6**	2,077.2
Work in progress	**1,094.6**	881.8
Part exchange properties	**71.8**	56.2
Showhouses	**51.8**	44.3
	3,156.8	3,059.5

The Directors consider all inventories to be essentially current in nature although the Group's operational cycle is such that a proportion of inventories will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised as this is subject to a number of issues, including consumer demand and planning permission delays.

The Group conducted a further review of the net realisable value of its land and work in progress portfolio during 2019. Our approach to this review has been consistent with that conducted at 31 December 2018. This review gave rise to a reversal of £nil (2018: £nil) of provision on inventories that were written down in a previous accounting period and an impairment of land and work in progress of £nil (2018: £nil). This reversal/charge arose due to forecast selling prices and development costs on individual sites being higher or lower than previously estimated by management as a result of changing conditions, and/or development plans. Net realisable provisions held against inventories at 31 December 2019 were £33.7m (2018: £37.8m).

The key judgements in estimating the future net realisable value of a site were the estimation of likely sales prices, house types and costs to complete the developments. Sales prices and costs to complete were estimated on a site by site basis based upon existing market conditions. If the UK housing market were to improve or deteriorate in the future then further adjustments to the carrying value of land and work in progress may be required. Following the 2019 review, £7.4m (2018: £16.5m) of inventories are valued at fair value less costs to sell rather than at historical cost.

Land with a carrying value of £855.3m (2018: £1,079.3m) was used as security for land payables (note 20).

The value of inventories expensed in 2019 and included in cost of sales was £2,438.8m (2018: £2,477.6m).

18 Trade and other receivables

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Non-current assets				
Other receivables	**7.1**	7.0	**–**	–
Current assets				
Trade receivables	**40.6**	57.7	**0.7**	2.4
Other receivables	**11.9**	31.9	**10.3**	29.0
Amounts owed by Group undertakings	**–**	–	**1,761.0**	1,566.8
Prepayments and accrued income	**6.0**	2.2	**0.7**	1.1
	58.5	91.8	**1,772.7**	1,599.3

Trade and other receivables are non-interest bearing, and the Group applies a simplified approach in calculating expected credit losses. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Directors consider that the carrying value of trade receivables approximates to their fair value.

No allowance for expected credit losses is deemed necessary in respect of amounts owed by Group undertakings.

	2019 £m	2018 £m
Ageing of overdue but not impaired receivables		
Less than 3 months	**22.5**	18.0
Over 3 months	**4.4**	4.3
	26.9	22.3

The carrying value of trade and other receivables are stated after the following allowance for expected credit losses:

	2019 £m	2018 £m
Group		
At 1 January	**8.8**	8.6
Allowance for expected credit losses charged	**–**	0.5
Amounts written off during the year as uncollectable	**(0.2)**	–
Allowance for expected credit losses reversed	**(6.5)**	(0.3)
At 31 December	**2.1**	8.8

19 Borrowings

Detailed disclosure of the Group's usage of financial instruments is included in note 21. There are £nil borrowings at 31 December 2019 (2018: £nil).

The contractual repayment terms of facilities are as noted below.

	Currency	Nominal interest rate	Year of maturity	2019 £m	2018 £m
Bank overdrafts	GBP	Base +1%-3.25%	2020	**48.0**	53.0
Syndicated loan	GBP	LIBOR +0.9%	2024	**300.0**	300.0
Available facilities				**348.0**	353.0

20 Trade and other payables

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Non-current liabilities				
Land payables	**167.4**	263.2	**–**	–
Other payables	**10.6**	7.2	**0.4**	0.1
	178.0	270.4	**0.4**	0.1

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Current liabilities				
Trade payables	**224.1**	238.7	**0.8**	0.8
Land payables	**267.8**	284.8	**–**	–
Deposits and on account contract receipts	**4.0**	55.2	**–**	–
Other payables	**44.2**	75.5	**7.3**	43.1
Accrued expenses	**371.6**	404.3	**12.6**	14.3
Amounts owed to Group undertakings	**–**	–	**3,718.2**	3,746.7
	911.7	1,058.5	**3,738.9**	3,804.9

Trade payables subject to payment terms were 12 days (2018: 14 days), based on the ratio of year end trade payables (excluding retentions and unagreed claims) to amounts invoiced during the year by trade creditors. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed terms. The Directors consider that the carrying amount of trade payables approximates to their fair value.

Land payables are reduced for imputed interest, which is charged to the statement of comprehensive income over the credit period of the purchase contract.

21 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Liquidity risk
- Capital risk
- Credit risk

This note presents basic information regarding the Group's exposure to these risks and the Group's objectives, strategy and processes for measuring and managing exposure to them. Unless otherwise stated references to Group should be considered to apply to the Company as well.

The Board has overall responsibility for risk management of the Group. The Board has established the Risk Committee which has the delegated task of overseeing the Board's responsibility with respect to risk and internal control. The Risk Committee reports to the Audit Committee on a regular basis.

The Risk Committee is supported in this task by the Group Risk management function. The Group Risk function performs an annual assessment of the risks faced by the Group. This assessment is used to drive a risk focused programme of work aimed to improve business processes and increase internal control effectiveness.

Market risk

Market risk represents the potential for changes in foreign exchange prices and interest rates to affect the Group's profit and the value of its financial instruments. It also incorporates the effect of the overall UK housing market on the Group. The Group's objective in market risk management is to minimise its exposures to fluctuations within such variables whilst optimising returns.

The Group has investments in a number of Portuguese joint ventures. These interests are not hedged. These investments are considered to be long term in nature. At 31 December 2019 the Group also holds €nil (2018: €0.1m) of cash related to anticipated plant purchases.

21 Financial risk management continued

The Group has no other significant currency exposures.

The following exchange rates applied during the year:

	2019		2018	
	Average rate	**Year end spot rate**	Average rate	Year end spot rate
Euro	**1.14**	**1.18**	1.13	1.11

The Group's exposure to foreign currency risk may be summarised as follows:

	2019 €m	2018 €m
Investments	**2.1**	3.0
Cash	**–**	0.1
Total	**2.1**	3.1

Sensitivity analysis

A rise/fall in the Euro/Sterling exchange rate of 10% would result in a £0.2m loss/gain in relation to investments (2018: £0.3m).

Interest rate risk

The Group currently holds no fixed interest borrowings. This reflects both the low borrowing requirements of the Group and the current low interest rates applicable to floating borrowings. The Group has no formal target for a ratio of fixed to floating funding. The responsibility for setting the level of fixed rate debt lies with the Board and is continually reviewed in the light of economic data provided by a variety of sources.

Sensitivity analysis

If in the year ended 31 December 2019 UK interest rates had been 0.5% higher/lower then the Group's pre-tax profit would have increased/decreased by £2.8m (2018: increased/decreased by £3.7m). The Group's post-tax profit would have increased/decreased by £2.3m (2018: increased/decreased by £3.0m).

These sensitivities have been prepared in respect of the direct impact of such an interest rate change on the net financing expense of financial instruments only, and do not attempt to estimate the indirect effect such a change may have on the wider economic environment such as house pricing, mortgage availability and exchange rates.

Housing market risk

The Group is fundamentally affected by the level of UK house prices. These in turn are affected by factors such as credit availability, employment levels, interest rates, consumer confidence and supply of land with planning. The UK's withdrawal from the EU may have a significant impact on these factors.

Whilst it is not possible for the Group to fully mitigate such risks on a national macroeconomic basis the Group does continually monitor its geographical spread within the UK, seeking to balance its investment in areas offering the best immediate returns with a long term spread of its operations throughout the UK to minimise the risk of local microeconomic fluctuations. The Group has taken steps to control its speculative build, land acquisition activities and work in progress levels so as to manage the exposure of the Group to any further market disruption.

Sensitivity analysis

At 31 December 2019, if UK house prices had been 10% higher/lower, and all other variables were held constant, the Group's house price linked financial instruments, which are solely shared equity loan receivables, would increase/decrease in value, excluding any effects of current or deferred tax, by £6.9m (2018: £8.7m).

Liquidity risk

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial obligations as they fall due. The Group's strategy in relation to managing liquidity risk is to ensure that the Group has sufficient liquid funds to meet all its potential liabilities as they fall due.

This is true not only of normal market conditions but also of negative projections against expected outcomes, so as to avoid any risk of incurring contractual penalties or damaging the Group's reputation, which would in turn reduce the Group's ability to borrow at optimal rates. Therefore the Group remains confident of its continued compliance with financial covenants under the syndicated loan even in the event of deterioration in market conditions. Further information on the Group's liquidity forecast process is included in the Viability Statement on pages 64 and 65.

21 Financial risk management continued

The Group has entered into a number of deferred payment guarantees and performance bonds in the normal course of operations. The liabilities to which these guarantees relate are recognised and accounted for in accordance with our standard accounting policies.

Liquidity forecasts are produced on (i) a daily basis to ensure that utilisation of current facilities is optimised; (ii) a monthly basis to ensure that covenant compliance targets and medium term liquidity is maintained; and (iii) a long term projection basis for the purpose of identifying long term strategic funding requirements.

The Directors also continually assess the balance of capital and debt funding of the Group. They consider the security of capital funding against the potentially higher rates of return offered by debt financing in order to set an efficient but stable balance appropriate to the size of the Group.

The Group operates short term uncommitted overdraft facilities to meet day to day liquidity requirements. These facilities are cancellable on request from the bank; however the Group generally maintains low levels of borrowing on these in favour of more cost efficient facilities. These overdraft facilities are provided by five leading clearing banks to minimise exposure to any one lender.

The Group maintains a £300m revolving credit facility committed to March 2024. These committed facilities are sufficient to meet projected liquidity requirements to this date. Undrawn committed facilities at the reporting date amount to £300m (2018: £300m).

Cash deposits

The Group has a policy of ensuring cash deposits are made with the primary objective of security of principal. Accordingly deposits are made only with approved, respected, high credit rating financial institutions. Deposits are spread across such institutions to minimise exposure to any single entity and are made on a short term basis only to preserve liquidity.

Capital risk

The capital structure of the Group consists of net cash/debt (borrowings as detailed in note 19 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings as detailed in the statement of changes in shareholders' equity). The Group's objective in managing capital is primarily to ensure the continued ability of the Group to meet its liabilities as they fall due whilst also maintaining an appropriate balance of equity and borrowings and minimising costs of capital. Close control of deployment of capital is maintained by detailed management review procedures for authorisation of significant capital commitments, such as land acquisition, capital targets for local management and a system of internal interest recharges, ensuring capital cost impact is understood and considered by all management tiers.

Decisions regarding the balance of equity and borrowings, dividend policy and all major borrowing facilities are reserved for the Board. The Group is currently pursuing a strategy of capital return to shareholders, whilst at the same time building a stronger, larger business. Full details are available in the Strategic Report on pages 27 to 31.

The following are the contractual maturities of financial liabilities, including interest payments (not discounted). These have been calculated using LIBOR rates at the year end (where applicable):

Group	**2019 Carrying amount £m**	Contractual cash flows £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
Trade and other payables	**650.5**	650.5	639.8	3.7	5.8	1.2
Land payables	**435.2**	436.4	262.9	84.9	79.4	9.2
Partnership liability	**37.1**	44.7	5.5	5.5	16.7	17.0
Financial liabilities	**1,122.8**	1,131.6	908.2	94.1	101.9	27.4

Group	2018 Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
Trade and other payables	725.7	725.7	718.5	2.3	4.9	–
Land payables	548.0	552.9	285.4	147.0	111.0	9.5
Partnership liability	40.6	50.1	5.4	5.5	16.6	22.6
Financial liabilities	1,314.3	1,328.7	1,009.3	154.8	132.5	32.1

21 Financial risk management continued

Company	**2019 Carrying amount £m**	Contractual cash flows £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
Trade and other payables (including intercompany balances)	**3,739.3**	3,739.3	3,738.9	0.2	0.2	–
Financial liabilities	**3,739.3**	3,739.3	3,738.9	0.2	0.2	–

It is noted that £3,718.2m (2018: £3,746.7m) of other payables refer to amounts owed to subsidiary undertakings. Whilst generally repayable upon demand, in practice it is unlikely there will be any required repayment in the short term.

Company	2018 Carrying amount £m	Contractual cash flows £m	Less than 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m
Trade and other payables (including intercompany balances)	3,805.0	3,805.0	3,804.9	–	0.1	–
Financial liabilities	3,805.0	3,805.0	3,804.9	–	0.1	–

Credit risk

The nature of the UK housing industry and the legal framework surrounding it results in the Group having a low exposure to credit risk.

In all but a minority of cases the full cash receipt for each sale occurs on legal completion, which is also the point of revenue recognition under the Group's accounting policies.

In certain specific circumstances the Group has entered into shared equity arrangements (not applicable to the Company). The pressures of market conditions during recessionary periods necessitated an increase in this form of sales structure from 2008. In such cases the long term debt is secured upon the property concerned. The Group does not recognise collateral rights as a separate asset, nor does it have rights to trade such collateral. Reductions in property values leads to an increase in the credit risk of the Group in respect of such sales. There was £0.1m requirement for a charge in relation to credit impairment in the year (2018: £0.9m).

The maximum total credit risk is as follows:

Group	**2019 £m**	2018 £m
Trade and other receivables	**59.6**	96.6
Shared equity loan receivables	**68.6**	86.9
Cash and cash equivalents	**843.9**	1,048.1
	972.1	1,231.6

Company		
Loans and receivables (including intercompany balances)	**1,772.0**	1,598.2
Cash and cash equivalents	**623.7**	787.8
	2,395.7	2,386.0

The maximum credit exposure of the Group to overseas parties is £nil (2018: £0.1m) (Company: £nil (2018: £nil)). The Group's credit risk is widely distributed. The maximum credit risk should any single party (excepting financial institutions) fail to perform is £4.0m (2018: £2.6m) and is not yet due (Company: £1,099.6m (2018: £939.9m) being a subsidiary debtor). The Directors consider these financial assets to be of high quality and the credit risk is assessed as low. The maximum credit risk associated with a financial institution in respect of short term cash deposits is £187.5m (2018: £224.6m).

21 Financial risk management continued

Fair value

The fair value of financial assets and liabilities is as follows:

Group	2019 Fair value £m	2019 Carrying value £m	2018 Fair value £m	2018 Carrying value £m
Trade and other receivables	**59.6**	**59.6**	96.6	96.6
Shared equity loan receivables	**68.6**	**68.6**	86.9	86.9
Cash and cash equivalents	**843.9**	**843.9**	1,048.1	1,048.1
Trade and other payables	**(650.6)**	**(650.6)**	(725.7)	(725.7)
Land payables	**(435.2)**	**(435.2)**	(548.0)	(548.0)
Partnership liability	**(38.5)**	**(37.1)**	(41.7)	(40.6)
	(152.2)	**(150.8)**	(83.8)	(82.7)

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

Company	2019 Fair value £m	2019 Carrying value £m	2018 Fair value £m	2018 Carrying value £m
Trade and other receivables (including intercompany balances)	**1,772.0**	**1,772.0**	1,598.2	1,598.2
Cash and cash equivalents	**623.7**	**623.7**	787.8	787.8
Trade and other payables (including intercompany balances)	**(3,739.3)**	**(3,739.3)**	(3,805.0)	(3,805.0)
	(1,343.6)	**(1,343.6)**	(1,419.0)	(1,419.0)

Income and expense in relation to financial instruments is disclosed in note 8.

Financial assets and liabilities by category:

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Financial assets designated fair value through profit and loss	**68.6**	86.9	**–**	–
Trade and other receivables	**59.6**	96.6	**1,772.0**	1,598.2
Cash and cash equivalents	**843.9**	1,048.1	**623.7**	787.8
Financial liabilities at amortised cost	**(1,122.7)**	(1,314.3)	**(3,739.3)**	(3,805.0)
	(150.6)	(82.7)	**(1,343.6)**	(1,419.0)

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

Group	2019 Level 3 £m	2018 Level 3 £m
Shared equity loan receivables	**68.6**	86.9

21 Financial risk management continued

Shared equity loan receivables

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

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

Significant unobservable inputs into the fair value measurement calculation include regional house price movements based on the Group's actual experience of regional house pricing and management forecasts of future movements, weighted average duration of the loans from inception to settlement of ten years (2018: ten years) and discount rate 9% (2018: 9%) based on current observed market interest rates offered to private individuals on secured second loans.

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

Detail of the movements in shared equity loan receivables in the period are disclosed in note 16.

22 Deferred tax

The following are the deferred tax assets and liabilities recognised by the Group and the movements thereon during the current and prior year:

	Note	Accelerated tax depreciation £m	Retirement benefit obligation £m	Share-based payment £m	Intangible assets £m	Other temporary differences £m	Total £m
At 1 January 2018		1.9	(11.5)	87.2	(10.2)	0.6	68.0
Credit/(charge) to profit and loss	10.1	0.1	(0.6)	(6.4)	–	(0.4)	(7.3)
Charge to other comprehensive income	10.2	–	(3.3)	–	–	–	(3.3)
Amounts taken directly to equity	10.3	–	–	(71.7)	–	–	(71.7)
At 1 January 2019		2.0	(15.4)	9.1	(10.2)	0.2	(14.3)
Charge to profit and loss	10.1	–	(2.4)	(1.2)	–	–	(3.6)
Credit to other comprehensive income	10.2	–	4.6	–	–	–	4.6
Amounts taken directly to equity	10.3	–	–	(5.3)	–	–	(5.3)
At 31 December 2019		**2.0**	**(13.2)**	**2.6**	**(10.2)**	**0.2**	**(18.6)**

As permitted by IAS 12 Income Taxes, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2019 £m	2018 £m
Share-based payments	**2.6**	9.1
Other items, including accelerated capital allowances	**4.0**	4.3
Deferred tax assets	**6.6**	13.4
Brands	**(10.2)**	(10.2)
Other items, including accelerated capital allowances	**(15.0)**	(17.5)
Deferred tax liabilities	**(25.2)**	(27.7)
Net deferred tax liability	**(18.6)**	(14.3)

22 Deferred tax continued

The Group has recognised deferred tax liabilities of £13.2m (2018: liabilities of £15.4m) on retirement benefit assets of £77.6m (2018: assets of £90.6m).

The following are the deferred tax assets and liabilities recognised by the Company and the movements thereon during the current and prior year:

	Accelerated tax depreciation £m	Retirement benefit obligation £m	Share-based payment £m	Other temporary differences £m	Total £m
At 1 January 2018	0.1	(11.5)	54.9	1.8	45.3
Charge to profit and loss	–	(0.6)	(6.4)	(0.5)	(7.5)
Charge to other comprehensive income	–	(3.3)	–	–	(3.3)
Amounts taken directly to equity	–	–	(40.2)	–	(40.2)
At 1 January 2019	0.1	(15.4)	8.3	1.3	(5.7)
Credit/(charge) to profit and loss	0.1	(2.4)	(1.2)	(0.3)	(3.8)
Credit to other comprehensive income	–	4.6	–	–	4.6
Amounts taken directly to equity	–	–	(5.6)	–	(5.6)
At 31 December 2019	**0.2**	**(13.2)**	**1.5**	**1.0**	**(10.5)**

No deferred tax assets and liabilities have been offset (2018: £nil).

23 Share capital

	2019 £m	2018 £m
Allotted, called up and fully paid		
318,902,385 (2018: 317,560,061) ordinary shares of 10p each	**31.9**	31.7

The Company has one class of ordinary shares which carry no right to fixed income. All issued shares are fully paid. During the year 1,342,324 ordinary shares (2018: 8,703,631) were issued in satisfaction of share option exercises.

The Company has established an Employee Benefit Trust to hold shares for participants of the Company's various share schemes. The Trustee is Persimmon (Share Scheme Trustees) Limited, a subsidiary company. During 2019, the Trustee transferred 1,270,901 shares to employees. At 31 December 2019 the trust held 221,012 shares (2018: 411,467) on which dividends have been waived. The market value of these shares at 31 December 2019 was £5,956,273 (2018: £7,941,313).

Own shares

Own shares held at cost are reconciled as follows:

	Group £m
Balance at 31 December 2018	1.1
Disposed of on exercise/vesting to employees	(0.5)
Balance at 31 December 2019	**0.6**

24 Reconciliation of net cash flow to net cash and analysis of net cash

Group	**2019 £m**	**2018 £m**
Cash and cash equivalents at 1 January	**1,048.1**	1,302.7
Decrease in net cash and cash equivalents in cash flow	**(204.2)**	(254.6)
Cash and cash equivalents at 31 December	**843.9**	(1,048.1)
IFRS 16 lease liability	**(8.9)**	–
Net cash at 31 December	**835.0**	1,048.1

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

25 Contingent liabilities

In the normal course of business the Group has given counter indemnities in respect of performance bonds and financial guarantees. Management estimate that the bonds and guarantees amount to £364m (2018: £307m), and confirm that the possibility of cash outflow is considered minimal and no provision is required.

Provision is made for the Directors' best estimate of all known legal claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed, or a sufficiently reliable estimate of the potential obligation cannot be made.

The Company has entered into guarantees of certain financial liabilities of related undertakings as detailed in note 31.

26 Operating leases

At 31 December total outstanding commitments for future minimum lease payments under non-cancellable operating leases were as follows:

Group as lessee	**2019 £m**	2018 £m
Expiring within one year	–	2.9
Expiring in the second to fifth years inclusive	–	5.7
Expiring after five years	–	3.4
	–	12.0
Company as lessee		
Expiring within one year	–	0.2
Expiring in the second to fifth years inclusive	–	0.2
	–	0.4

The Group receives sundry rental income under short term leases arising from its long term land holdings. There are no minimum lease receipts as no lease is held under a non-cancellable agreement.

On implementation of IFRS 16 leases, lease payment commitments are reported within trade and other payables.

27 Retirement benefit assets

As at 31 December 2019 the Group operated four employee pension schemes, being two Group personal pension schemes and two defined benefit pension schemes. Remeasurement gains and losses in the defined benefit schemes are recognised in full as other comprehensive income within the consolidated statement of comprehensive income. All other pension scheme costs are reported in profit or loss.

Group personal pension schemes

The Group makes contributions to the Group personal pension schemes which are open to employees who are not members of the defined benefit schemes. Dependent upon an employee's role and length of service the Group may make contributions to the schemes of up to a maximum of 9% of basic salary. The Group has no liability beyond these contributions. Group contributions to these schemes of £4.1m (2018: £2.3m) are expensed through the statement of comprehensive income as incurred.

Persimmon Plc Pension & Life Assurance Scheme

The Persimmon Plc Pension & Life Assurance Scheme (the 'Persimmon Scheme') is a defined benefit scheme which was closed to new members in 2001. Active members of the Persimmon Scheme accrue benefits on a career average revalued earnings basis. The assets of the Persimmon Scheme are held separately from those of the Group.

On 12 December 2012 Persimmon Plc made a one-off cash contribution of £57.8m to the Persimmon Scheme. The Persimmon Scheme used these funds to invest in Persimmon Scottish Limited Partnership, which has undertaken to provide fixed cash payments to the Persimmon Scheme to meet its liabilities over a 15 year period. See note 28 for further details.

Prowting Pension Scheme

The Group also operates the Prowting Pension Scheme (the 'Prowting Scheme'), a defined benefit scheme. Active members of the Prowting Scheme accrue benefits on a career average revalued earnings basis. The assets of the Prowting Scheme are held separately from those of the Group.

Role of Trustees

Both the Persimmon Scheme and the Prowting Scheme (jointly 'the Pension Schemes') are managed by Trustees who are legally separate from the Company. The Trustees are composed of representatives appointed by both the employer and employees. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible in particular for the asset investment policy plus the day to day administration of the benefits. They are also responsible for jointly agreeing with the employer the level of contributions due to the Pension Schemes (see below).

Funding requirements

UK legislation requires that pension schemes are funded prudently i.e. to a level in excess of the current expected cost of providing benefits. The last funding valuation of the Persimmon Scheme was carried out by a qualified actuary as at 1 January 2017 and as at 31 March 2018 for the Prowting Scheme. The next funding valuation will be as at 1 January 2020 for the Persimmon Scheme (which is in progress). Subsequent valuations will be at intervals of no more than three years thereafter. Following each valuation, the Trustees and the Company must agree the contributions required (if any) to ensure the Pension Schemes are fully funded over time on a suitable prudent measure. Contributions agreed in this manner constitute a minimum funding requirement.

Given the current strength of the Persimmon and Prowting Scheme's funding (due to recent cash contributions made to the Schemes) no deficit contributions are required for either scheme. Salary related contributions for active members and expense related contributions are payable for the Persimmon Scheme.

Under the governing documentation of the Pension Schemes, any future surplus in either scheme would be returnable to the Group by refund, assuming gradual settlement of the liabilities over the lifetime of the Pension Schemes. As a result the Group does not consider there to be an asset ceiling in respect of the Pension Schemes.

The Group has determined that in accordance with the rules of the Pension Schemes the present value of refunds or reductions in future contributions is not lower than the balance of the fair value of funding obligations. As such no decrease in the defined benefit asset was necessary.

Both Pension Schemes are in a strong funding position. The Group remains committed to the continuity of this position and will review future contribution levels in the event of any significant deficit arising.

The Pension Schemes investment strategy is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the members as they fall due. The Pension Schemes do not invest directly in complex financial instruments, though there may be limited indirect investment through investment funds.

27 Retirement benefit assets continued

Regulation

The UK pensions market is regulated by The Pensions Regulator whose key statutory objectives in relation to UK defined benefit plans are:

- to protect the benefits of members;
- to promote, and to improve understanding of good administration; and
- to reduce the risk of situations arising which may lead to compensation being payable from the Pension Protection Fund (PPF).

The Pensions Regulator has sweeping powers including the powers:

- to wind up a scheme where winding up is necessary to protect members' interests;
- to appoint or remove a trustee;
- to impose a schedule of company contributions or the calculation of the technical provisions where a trustee and company fail to agree on appropriate contributions; and
- to impose a contribution where there has been a detrimental action against a scheme.

Risks associated with the Pension Schemes

The Pension Schemes expose the Group to a number of risks, the most significant of which are:

Risk	Description
Volatile asset returns	The defined benefit obligation (DBO) is calculated using a discount rate set with reference to corporate bond yields. If assets underperform this discount rate, this will create an element of deficit. The Persimmon Scheme holds a significant proportion (c. 50%) of assets in growth assets (such as equities) which, although expected to outperform corporate bonds in the long term, create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the Pension Schemes' long term objectives.
Changes in bond yields	A decrease in corporate bond yields will increase the value placed on the DBO for accounting purposes, although this will be partially offset by an increase in the value of the Pension Schemes' bond holdings.
Inflation risk	A significant proportion of the DBO is indexed in line with price inflation and higher inflation will lead to higher liabilities (although, in most cases, this is capped at an annual increase of 5%).
Life expectancy	The majority of the Pension Schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

There are a number of other risks of running the Pension Schemes including operational risks (such as paying out the wrong benefits), legislative risks (such as the Government increasing the burden on pension through new legislation) and other demographic risks, such as a higher proportion of members having a dependant eligible to receive a survivor's pension.

Net Pension Asset

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

	2019 £m	2018 £m
Fair value of Pension Scheme assets	**672.8**	616.8
Present value of funded obligations	**(595.2)**	(526.2)
Net pension asset	**77.6**	90.6

A deferred tax liability totalling £13.2m (2018: liability of £15.4m) has been recognised on the balance sheet in relation to the net pension asset.

Movements in the net pension asset on the balance sheet were as follows:

	2019 £m	2018 £m
As at 1 January	**90.6**	67.7
Total (loss)/gain recognised in the period	**(26.9)**	13.0
Company contributions paid in the period	**13.9**	9.9
Net pension asset	**77.6**	90.6

27 Retirement benefit assets continued

The Company does not present valuations of its own separate assets and liabilities under the Pension Schemes as the entire net assets of the Pension Schemes are included in the Company balance sheet, as ultimate scheme sponsor.

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

	2019 £m	2018 £m
Current service cost	1.7	2.0
Past service cost	–	5.5
Administrative expense	0.9	0.9
Pension cost recognised as operating expense	2.6	8.4
Interest cost	14.9	14.2
Return on assets recorded as interest	(17.6)	(15.9)
Pension cost recognised as net finance credit	(2.7)	(1.7)
Total defined benefit pension (credit)/cost recognised in profit or loss	(0.1)	6.7
Remeasurement loss/(gain) recognised in other comprehensive income	27.0	(19.7)
Total defined benefit scheme loss/(gain) recognised	**26.9**	**(13.0)**

The past service cost recognised in the prior period reflected the impact of the legal rulings regarding Guaranteed Minimum Pension equalisation (GMP).

Assets

The assets of the Pension Schemes have been calculated at fair value and are invested in the following asset classes:

	2019 £m	2018 £m
Equity		
– UK	79.9	89.4
– US	83.3	47.7
– Eurozone	31.4	36.7
– Other	14.6	24.8
Bonds		
– Government	139.8	130.8
– sub-investment grade	149.0	139.9
Asset backed funding	38.5	41.7
Diversified Growth Fund	79.5	71.7
Cash	56.8	34.1
Total	672.8	616.8

All assets have a quoted market value in an active market, with the exception of Asset backed funding of £38.5m (2018: £41.7m), which related to secured cash flows.

The Persimmon Scheme holds 93% (2018: 93%) of the gross assets of the Pension Schemes and 95% (2018: 95%) of the gross liabilities. The remainder relates to the Prowting Scheme. The Pension Schemes do not engage in investments in complex financial assets such as Insurance Contracts or Longevity Derivatives.

Changes in the fair value of scheme assets were as follows:

	2019 £m	2018 £m
As at 1 January	616.8	649.1
Return on assets recorded as interest	17.6	15.9
Remeasurement gain/(loss) on assets	48.9	(28.8)
Contributions	13.9	9.9
Benefits and expenses paid	(24.4)	(29.3)
As at 31 December	672.8	616.8

27 Retirement benefit assets continued

Defined Benefit Obligation

The liabilities of the Pension Schemes, at each balance sheet date, have been calculated on the following financial assumptions:

	2019 % p.a.	2018 % p.a.
Discount rate	**2.0**	2.9
General pay increases	**2.9**	3.2
RPI Inflation assumption	**2.9**	3.2
CPI Inflation assumption	**2.1**	2.1

Post retirement life expectancy for retirement aged members are as follows:

	2019 Years	2018 Years
Male current pensioner	**22.5**	22.7
Male future pensioner	**23.3**	23.5

The defined benefit obligation includes benefits for current employees, former employees and current pensioners.

The following table provides an analysis of the defined benefit obligation by membership category.

	2019 £m	2018 £m
Total value of current employees' benefits	**51.1**	44.8
Deferred members' benefits	**262.6**	221.2
Pensioner members' benefits	**281.5**	260.2
Total defined benefit obligation	**595.2**	526.2

The Pension Schemes' duration is an indicator of the weighted average time until benefit payments are made. For the Pension Schemes as a whole, the duration is around 18 years.

Changes in the defined benefit obligation were as follows:

	2019 £m	2018 £m
As at 1 January	**(526.2)**	(581.4)
Current service cost	**(1.7)**	(2.0)
Past service cost	**–**	(5.5)
Interest cost	**(14.9)**	(14.2)
Remeasurement (loss)/gain on liabilities	**(75.9)**	48.5
Benefits paid	**23.5**	28.4
As at 31 December	**(595.2)**	(526.2)

Sensitivities

The key assumptions used for IAS 19 are: discount rate, inflation and mortality. If different assumptions were used, this could have a material effect on the results disclosed. The sensitivity of the results to these assumptions is as follows.

	2019 £m	2018 £m
Present value of defined benefit obligation (DBO)	**595.2**	526.2
– DBO following a 0.25% decrease in the discount rate	**622.3**	548.7
– DBO following a 0.25% increase in the discount rate	**570.0**	505.1
– DBO following a 0.25% decrease in the inflation assumption	**578.8**	513.2
– DBO following a 0.25% increase in the inflation assumption	**612.0**	539.7
– DBO following a 1 year decrease to life expectancy	**567.5**	504.6
– DBO following a 1 year increase to life expectancy	**623.1**	547.5

The sensitivity information shown above has been prepared using the same methodology as the calculation for the current DBO.

28 Partnership Liability to the Persimmon Plc Pension & Life Assurance Scheme

Persimmon Scottish Pension Trustees Limited, a wholly owned Group subsidiary, is general partner in Persimmon Scottish Limited Partnership ('the Partnership'). Persimmon Pension Trustees Limited, the Trustee of the Persimmon Plc Pension & Life Assurance Scheme ('the Persimmon Scheme') is a limited partner. The Partnership is included in the consolidated results of the Group. The Partnership has taken advantage of the exemptions in the Partnerships (Accounts) regulations 2008 not to file separate accounts on this basis.

The terms of the Persimmon Scheme's interest in the Partnership give the pension scheme obligatory rights to cash returns but insignificant operational control over the Partnership. The interest has been classified as a financial liability and is accounted for on an amortised cost basis. During the year the Group has made payments in relation to the Partnership liability (including interest) totalling £5.4m (2018: £5.4m).

Under IAS 19 the partnership interest of the Persimmon Scheme is included within the UK pension scheme assets. For further details see note 27.

The Partnership is the beneficial owner of a bond secured on a proportion of the Group's shared equity loan receivables and guaranteed by Persimmon Plc, which will support the Partnership investment return to the Persimmon Scheme.

29 Share-based payments

The Group operates a number of share option schemes, the details of which are provided below. All schemes were equity settled, however the Board have decided to net settle the withholding tax in relation to the Persimmon Plc 2012 Long Term Incentive Plan. Payments made or due in association with the withholding tax have been accounted for as a deduction from equity. These amounts totalled £26.9m (2018: £180.2m). There are currently no plans to net settle other option schemes.

The Savings-Related Share Option Scheme is an HMRC approved scheme open to all permanent employees. Options can normally be exercised three years after the date of grant.

Options have been issued to senior management (including the Executive Directors) under the Group's various executive share option schemes, which include awards under the Group's long term incentive plans. Future vesting of options is dependent upon the return of cash to shareholders between 2017 and 2019 for options granted in 2017 under the Persimmon Plc 2017 Performance Share Plan, and upon TSR relative to a peer group, customer care performance and return of cash to shareholders between 2018 and 2020 for options granted in 2018 under the Persimmon Plc 2017 Performance Share Plan and on customer care, cash generation and TSR performance between 2019 and 2021 for options granted in 2019 under the Persimmon Plc 2017 Performance Share Plan.

Options granted under the Persimmon Long Term Incentive Plan 2007 ('2007 LTIP') between September 2010 and September 2011 consisted of unapproved awards and HMRC approved awards where appropriate, with an exercise price equivalent to market value on the date of the award, plus a linked award. In the event that the market price of a share at the date of exercise of an approved option exceeds the option price, then the value of the linked award that vests is restricted to an amount capped at the cost of exercise of the approved option.

Reconciliations of share options outstanding during each period, under each type of share scheme, are as follows:

	2019 Savings-Related Share Option Scheme		2018 Savings-Related Share Option Scheme	
Group and Company	**Number of shares under option**	**Weighted average exercise price (p)**	Number of shares under option	Weighted average exercise price (p)
Outstanding at the beginning of the year	**830,932**	**1,749.5**	824,719	1,628.8
Granted during the year	**403,070**	**1,691.4**	270,956	1,888.0
Forfeited during the year	**(176,605)**	**1,853.6**	(119,085)	1,725.1
Exercised during the year	**(258,555)**	**1,467.9**	(145,658)	1,343.4
Outstanding at the end of the year	**798,842**	**1,788.3**	830,932	1,749.5
Exercisable at the end of the year	**40,563**	**1,434.8**	61,241	1,683.4

29 Share-based payments continued

Group and Company	2019 Bonus Share Scheme Number of shares under option	2018 Bonus Share Scheme Number of shares under option
Outstanding at the beginning of the year	**29,054**	80,428
Granted during the year	**–**	41,117
Forfeited during the year	**–**	(39,782)
Exercised during the year	**(20,415)**	(52,709)
Outstanding at the end of the year	**8,639**	29,054
Exercisable at the end of the year	**–**	–

Group and Company	2019 Long Term Incentive Plan 2007 Non HMRC Approved Number of shares under option	2018 Long Term Incentive Plan 2007 Non HMRC Approved Number of shares under option
Outstanding at the beginning of the year	**6,643**	6,643
Exercised during the year	**(3,323)**	–
Outstanding at the end of the year	**3,320**	6,643
Exercisable at the end of the year	**3,320**	6,643

	2019 Long Term Incentive Plan 2007 HMRC Approved		2018 Long Term Incentive Plan 2007 HMRC Approved	
Group and Company	Number of shares under option	Weighted average exercise price (p)	Number of shares under option	Weighted average exercise price (p)
Outstanding at the beginning of the year	**3,320**	**451.8**	3,320	451.8
Outstanding at the end of the year	**3,320**	**451.8**	3,320	451.8
Exercisable at the end of the year	**3,320**	**451.8**	3,320	451.8

Group and Company	2019 Long Term Incentive Plan 2012* Number of shares under option	2018 Long Term Incentive Plan 2012* Number of shares under option
Outstanding at the beginning of the year	**3,033,857**	23,278,855
Forfeited/waived during the year	**–**	(3,022,088)
Exercised during the year	**(2,578,954)**	(17,222,910)
Outstanding at the end of the year	**454,903**	3,033,857
Exercisable at the end of the year	**454,903**	3,033,857

* Under 2012 LTIP grants the option exercise price is variable dependent on share price at the date of award and the performance condition being return of cash to shareholders post grant date.

29 Share-based payments continued

Group and Company	2019 2017 Performance Share Plan Number of shares under option	2018 2017 Performance Share Plan Number of shares under option
Outstanding at the beginning of the year	**191,235**	82,288
Granted during the year	**561,349**	117,561
Forfeited during the year	**(55,057)**	(8,614)
Outstanding at the end of the year	**697,527**	191,235
Exercisable at the end of the year	**–**	–

The weighted average share price at the date of exercise for share options exercised during the period was 2,432.0p (2018: 2,472.8p). The options outstanding at 31 December 2019 had a range of exercise prices from nil to 1,992.0p and a weighted average remaining contractual life of 1.8 years (2018: 2.7 years).

The inputs into the Black Scholes option pricing model for options that were granted in the year were as follows:

Option Valuation Assumptions	PSP 2019 Tranche 1	PSP 2019 Tranche 2	SAYE 2019
Grant date	3 April 2019	1 October 2019	16 October 2019
Risk free interest rate	0.71%	0.28%	0.49%
Exercise price	–	–	£16.92
Share price at date of grant	£22.36	£21.69	£23.36
Expected dividend yield*	0%	0%	4.92%
Expected life	2.9 years	2.4 years	3.1 years
Holding period	2.0 years	2.0 years	n/a
Date of vesting	28 February 2022	28 February 2022	1 December 2022
Expected volatility	23.3%	23.4%	23.7%
Fair value of option	£16.97	£19.50	£1.61

* At the discretion of the Remuneration Committee a cash bonus may be paid to holders of 2019 PSP grants equivalent to the value of any dividend which might have been paid on the shares held under option had those instead been issued. For purposes of valuation it has been assessed that such a payout will be made and the foregone dividend yield assumption set to nil.

Expected volatility was determined by calculating the historic volatility of the Group's share price over various timescales.

The expected life used in the model has been adjusted, based on best estimates, to reflect exercise restrictions and behavioural considerations.

In 2019, the Group recognised total expenses before tax of £3.7m (2018: £7.9m) in relation to equity settled share-based payment transactions in the consolidated statement of comprehensive income. These option charges have been credited against the retained earnings reserve. As at 31 December 2019 the total credit recognised in relation to equity settled share-based payments was £6.1m (2018: £10.9m) of which £5.7m (2018: £8.9m) related to options currently vested awaiting exercise. All share-based payments are expensed by the Company.

30 Related party transactions

The Board and certain members of senior management are related parties within the definition of IAS 24 Related Party Disclosures. Summary information of the transactions with key management personnel is provided in note 6. Detailed disclosure of the individual remuneration of Board members is included in the Remuneration Report on pages 98 to 120. There is no difference between transactions with key management personnel of the Company and the Group.

The Company has entered into transactions with its subsidiary undertakings in respect of the following: internal funding loans and provision of Group services (including senior management, IT, accounting, marketing, purchasing, legal and conveyancing services). Recharges are made to subsidiary undertakings for Group loans, based on funding provided, at an interest rate linked to average Group borrowing costs. No recharges are made in respect of balances due to or from otherwise dormant subsidiaries. Recharges are made for Group services based on utilisation of those services.

30 Related party transactions continued

During the year these recharges amounted to:

	2019 £m	2018 £m
Interest charges on intra-group funding	**(58.4)**	(38.2)
Group services recharges	**51.1**	53.1
	(7.3)	14.9

In addition to these services the Company acts as a buying agent for certain Group purchases, such as insurance. These are recharged at cost based on utilisation by the subsidiary undertaking.

The amount outstanding from subsidiary undertakings to the Company at 31 December 2019 totalled £1,761.0m (2018: £1,566.8m). Amounts owed to subsidiary undertakings by the Company at 31 December 2019 totalled £3,718.2m (2018: £3,746.7m).

The Company provides the Group's defined benefit pension schemes. Current employer contributions are charged to the operating businesses at cost. There is no contractual arrangement or stated policy relating to the net defined benefit cost. Experience and remeasurement gains and losses are recognised in the Company.

The Company guarantees a bond issued from Persimmon Shared Equity Limited to Persimmon Scottish Limited Partnership (both subsidiary undertakings). The fair value of the bond at 31 December 2019 is £37.1m (2018: £41.7m).

Certain subsidiary undertakings have entered into guarantees of external bank loans and overdrafts of the Company. The total value of such borrowings at 31 December 2019 was £nil (2018: £nil). The Company has entered into guarantees over bank loans and borrowings of the subsidiary undertakings. The total value of such borrowings at 31 December 2019 was £nil (2018: £nil).

The Company has suffered £nil expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2018: £nil).

31 Details of major Group undertakings

The Directors set out below information relating to the major subsidiary undertakings (those that principally affect the profits and assets of the Group) of Persimmon Plc at 31 December 2019. All of these companies are registered in England. All voting rights are held by companies within the Group. A full list of subsidiary undertakings and jointly controlled entities can be found in note 32.

Major subsidiary undertakings

Persimmon Homes Limited°	Charles Church Developments Limited^Δ	
Persimmon Holdings Limited*	Persimmon Shared Equity Limited**	Persimmon Scottish Limited Partnership***

° The shares of this company are held by Persimmon Holdings Limited and Persimmon Plc.
Δ The shares of this company are held by Persimmon Holdings Limited.
* The shares of this company are held by Persimmon Finance Limited and Persimmon Plc.
** The shares of this company are held by Persimmon Plc.
*** This entity is controlled by Persimmon Scottish Pension Trustees Limited (see note 28).

32 Details of all subsidiary undertakings

Persimmon Group subsidiary companies

The following companies, included in these consolidated accounts, are wholly owned by the Persimmon Group and are incorporated in the UK unless otherwise stated. Persimmon Plc or its subsidiary companies also hold all of the voting rights unless otherwise stated. The Registered Office for each company is Persimmon House, Fulford, York, YO19 4FE unless otherwise stated.

Name of undertaking	Description of shares held
@Home Limited	Ordinary* and 3.5% Preference*
A.E.A Prowting Limited	Ordinary*
A Monk & Company Developments (S.W.) Limited	Ordinary* and Deferred*
Alford Brothers Limited	Ordinary*
Anjok 157 Limited	Ordinary*
Anjok 171 Limited[1]	Ordinary*
Anjok 172 Limited	Ordinary*
Anjok 173 Limited	Ordinary*
Anjok 269 Limited[1]	Ordinary* and Deferred*
Anjok 28 Limited	Ordinary* and 8% Preference*
Anjok 31 Limited	Ordinary*
Anjok Five (1996) Limited	Ordinary*
Anjok Holdings Limited	Ordinary* and Deferred*
Anjok Investments Limited	Ordinary*
Anjok Twenty Limited[1]	A Ordinary* and B Ordinary*
Anjok Two Limited	Ordinary*
Aria Homes Limited	A Ordinary* and B Ordinary*
Arthur S Nixon and Company	1% Non-Cumulative Preference* and Ordinary*
Aspect Homes Limited	Ordinary*
Atlantis One Limited	Ordinary* and Preference*
Beazer Group Limited	Ordinary*
Beazer Homes (Anglia) Limited	Deferred* and A Ordinary*
Beazer Homes (Barry) Limited	Ordinary*
Beazer Homes (FLE) Limited	A Ordinary* and B Ordinary*
Beazer Homes (FNLHS) Limited	Ordinary*
Beazer Homes (South Wales) Limited	Ordinary*
Beazer Homes (Wessex) Limited	Ordinary*
Beazer Homes and Property Limited	Ordinary*
Beazer Homes Bedford Limited	Deferred* and A Ordinary*
Beazer Homes Birmingham Central Limited	Deferred* and A Ordinary*
Beazer Homes Bridgwater Limited	Deferred* and A Ordinary*
Beazer Homes Bristol Limited	Deferred* and A Ordinary*
Beazer Homes Cardiff Limited	Deferred* and A Ordinary*

Name of undertaking	Description of shares held
Beazer Homes Doncaster Limited	Deferred* and A Ordinary*
Beazer Homes Edinburgh Limited[1]	Deferred* and A Ordinary*
Beazer Homes Glasgow Limited[1]	Deferred* and A Ordinary*
Beazer Homes Limited	Ordinary*, Deferred* and A Ordinary*
Beazer Homes Nottingham Limited	Ordinary*
Beazer Homes Reigate Limited	Ordinary*
Beazer Homes Stockport Limited	Deferred* and A Ordinary*
Beazer Homes Yateley Limited	Deferred* and A Ordinary*
Beazer London Limited	Ordinary*
Beazer Partnership Homes (Scotland) Limited[1]	Ordinary*
Beazer Partnership Homes Midlands Limited	Ordinary*
Beazer Swaffham Limited	Ordinary*
Beazer Urban Developments (Anglia) Limited	Deferred* and A Ordinary*
Beazer Urban Developments (Bedford) Limited	Ordinary*
Beazer Urban Developments (East Midlands) Limited	Ordinary*
Beazer Urban Developments (South West) Limited	Ordinary*
Beazer Western Engineering Services Limited	Ordinary*
Belsco 1020 Limited[1]	Ordinary*
Breakblock Limited	Ordinary*
Broomco (3385) Limited	Ordinary*
Bruce Fletcher (Leicester) Limited	Ordinary*
Charles Church Civil Engineering Limited	Ordinary*
Charles Church Developments Limited	Ordinary*
Charles Church Essex Limited	Ordinary*
Charles Church Estates Limited	Ordinary*
Charles Church Holdings plc	A Convertible Ordinary*, B Ordinary*, B Redeemable Preference*, C Preference*, D Ordinary*, D Preference*, Deferred*, E Deferred*, E Ordinary* and Preference*.

Name of undertaking	Description of shares held
Charles Church Housing Limited	Ordinary*
Charles Church Investment Properties Limited	Ordinary*
Charles Church Kent Limited	Ordinary*
Charles Church Limited	Ordinary*
Charles Church London Limited	Ordinary*
Charles Church Management Limited	Ordinary*
Charles Church Partnership Homes Limited	Ordinary*
Charles Church Residential Developments Limited	Ordinary*
Charles Church South East Limited	Ordinary*
Charles Church Southern Limited	Ordinary*
Charles Church Thames Valley Limited	Ordinary*
Charles Church Trading Limited	Ordinary*
Charles Church Village Heritage plc	Ordinary*
Coatglade Limited	Ordinary*
Comben Group Limited	A Deferred Ordinary, B Deferred Ordinary and Ordinary
Cresswellshawe Properties Limited	Ordinary* and 3.5% Preference*
Crowther Homes (Darlington) Limited	Ordinary*
Crowther Homes (Midland) Limited	Ordinary*
Crowther Homes (Nat W) Limited	Ordinary*
Crowther Homes (Yarm) Limited	Ordinary*
Crowther Homes Limited	Ordinary*
D Dunk (Builders) Limited	Ordinary*
D R Dunthorn & Son Limited	Deferred*, Deferred* and Ordinary*
Datblygwyr Dorothea Limited (94% of nominal value owned)	Ordinary*
Delany Brothers (Housebuilders) Limited	Ordinary* and Preference*
Domus Group Limited	Deferred*, Deferred* and A Ordinary*
E.E. Reed & Co. (Builders) Limited	Ordinary*
E F G H Limited	Ordinary*
E F G H Nominees Limited	Ordinary*
Emerson Park Limited	Ordinary*
F C Spear Limited	Ordinary*

32 Details of all subsidiary undertakings continued

Name of undertaking	Description of shares held
Ferry Quay Developments Limited	A Ordinary*, B Ordinary* and C Ordinary*
FibreNest Limited	Ordinary*
Frays Property Management (No.1) Limited	Ordinary*
Frays Property Management (No.2) Limited	Ordinary*
Frays Property Management (No.6) Limited	Ordinary*
Friary Homes Limited	Ordinary*
Galliford Developments Limited	Ordinary*
Galliford Homes (London) Limited	A Ordinary* and B Ordinary*
Galliford Homes Holdings Limited	A Ordinary*, B Ordinary* and Preference*
Galliford Homes Limited	Ordinary*
Galliford Properties Southern Limited	Ordinary*
Galliford Southern Limited	Ordinary*
Geo. Wright & Co. (Contractors Wolverhampton) Limited	Deferred*, A Deferred* and A Ordinary*
Glamford Building Company Limited	Ordinary*
Gomersal Mills Limited	Deferred* and Ordinary*
Gosforth Business Park Management Company (No.2) Limited	Ordinary*
Haven Retirement Homes Limited	Ordinary*
Hazels Development Company Limited	A Ordinary* and B Ordinary*
Hillreed Developments Limited	Ordinary*
Hillreed Holdings Limited	Ordinary*, Management Shares* and Cumulative Preference*
Hillreed Homes Limited	Ordinary*
Hillreed Properties Limited	Ordinary*
Ideal Developments Limited	Ordinary*
Ideal Homes (UK) Limited	Ordinary*
Ideal Homes Anglia Limited	Ordinary*
Ideal Homes Central Limited	A Non Voting Ordinary* and B Ordinary*
Ideal Homes Holdings Limited	Deferred and Ordinary
Ideal Homes Limited	Ordinary*
Ideal Homes Midlands Limited	Ordinary*
Ideal Homes North West Limited	Ordinary*
Ideal Homes Northern Limited	Ordinary*
Ideal Homes Scotland Limited	Ordinary*

Name of undertaking	Description of shares held
Ideal Homes Services Limited	Ordinary*
Ideal Homes Southern Limited	Ordinary*
J.W. Liptrot & Company Limited	Ordinary*
Jaboulet Limited	Ordinary*
John Maunders Group Limited	Ordinary*
Kenton Contracting (Yorkshire) Limited	Ordinary*
Kenton Contractors (Yorkshire) Limited	Ordinary*
Kenton Homes (Builders) Limited	Ordinary*
Kenton Homes (Developments) Limited	Ordinary*
Kenton Homes (Estates) Limited	Ordinary*
Knightsmoor Homes Limited	Ordinary*
Lady's Lane Property Co. Limited	Ordinary*
Lansdown Homes Limited	Ordinary*
Lazy Acre Investments Limited	Ordinary*
Leech Homes (Showhouses) Limited	Ordinary*, 0.1% Non-Cumulative Preference A* and 1% Non-Cumulative Preference B*
Leech Homes (Wales) Limited	Ordinary*
Leech Homes (Yorkshire) Limited	Ordinary*
Leech Homes Limited	Deferred* and A Ordinary*
Leech Northumbria Limited	Ordinary*
Leech Partnership Homes Limited	Ordinary*
Leisurama Homes Limited	Ordinary*
Linkway Properties Limited	Ordinary*
Locking Castle Limited	A Ordinary*, B Ordinary* and C Ordinary*
Magnus Design Build Limited	Ordinary*
Magnus Holdings Limited	A Ordinary*, B Ordinary*, C Ordinary*, Enduring Ordinary* and Cumulative Redeemable Preference*
Mapleleigh Limited	Ordinary*
Marriott Homes Limited	Ordinary*
Maunders Homes (East Anglia) Limited	Ordinary*
Maunders Homes (Midlands) Limited	Ordinary*
Maunders Homes (North West) Limited	Ordinary*
Maunders Homes (South) Limited	Ordinary*
Maunders Inner City Limited	Ordinary*

Name of undertaking	Description of shares held
Maunders Urban Renewal Limited	Ordinary*
Mayclose Research Limited	Ordinary*
Melville Homes Limited	A Ordinary*, B Ordinary*, C Ordinary*, Deferred* and Cumulative Redeemable Preference*
Merewood (Kendal) Limited	Ordinary*
Merewood Group Limited	Ordinary*
Merewood Homes Limited	Ordinary*
Merewood Investments Limited	Ordinary*
Mightover Limited	Ordinary
Milton Keynes Housing Group Limited	Ordinary*
Mitrebuild Limited	Ordinary* and Deferred Ordinary*
Monk Homes Limited	Ordinary*
Monsell Youell Construction Limited	Ordinary*
Monsell Youell Limited	Deferred* and A Ordinary*
Montague Developments Limited	Ordinary*
Mount Row Finance Limited	Ordinary*
Mount Row Securities Limited	Ordinary*
Pacemaker Developments Limited	Ordinary*
Park House Developments (Petersfield) Limited	Ordinary*
Partnership Homes Limited	Ordinary*
Pennant Developments Limited	Ordinary* and 5% Non-Cumulative Preference*
Pentra Limited	Ordinary*
Perlease Limited	Ordinary*
Persimmon (City Developments) Limited	Ordinary*
Persimmon (Eccleshall) Limited	Ordinary*
Persimmon (Share Scheme Trustees) Limited	Ordinary
Persimmon (SHL) Limited	Ordinary*
Persimmon (Strensall) Limited	Ordinary*
Persimmon Brickworks Limited	Ordinary*
Persimmon Developments (No 1) Limited	Ordinary*
Persimmon Developments (No 2) Limited	Ordinary*
Persimmon Developments (Didcot) Limited	Ordinary*
Persimmon Developments (No 5) Limited	Ordinary*
Persimmon Developments (No 6) Limited	Ordinary*

32 Details of all subsidiary undertakings continued

Name of undertaking	Description of shares held
Persimmon Developments (No 7) Limited	Ordinary*
Persimmon DN Limited (Incorporated in Ireland)	Ordinary*
Persimmon Finance (Jersey) Limited (Incorporated in Jersey)[4]	Ordinary
Persimmon Finance (No 2) Limited	Ordinary
Persimmon Finance Limited	Ordinary
Persimmon Harts Limited	Ordinary
Persimmon GR (No 4) Limited	Ordinary*
Persimmon GR (No 9) Limited	Ordinary*
Persimmon GR (No 10) Limited	Ordinary*
Persimmon GR (No 11) Limited	Ordinary*
Persimmon Holdings Limited	Ordinary and A Ordinary*
Persimmon Homes (Anglia) Limited	Ordinary*
Persimmon Homes (Doncaster) Limited	Ordinary*
Persimmon Homes (East Midlands) Limited	Ordinary*
Persimmon Homes (East Scotland) Limited	Ordinary*
Persimmon Homes (East Yorkshire) Limited	Ordinary*
Persimmon Homes (Edmonstone) Limited	Ordinary
Persimmon Homes (Essex) Limited	Deferred* and A Ordinary*
Persimmon Homes (Lancashire) Limited	Ordinary*
Persimmon Homes (Mercia) Limited	Ordinary*
Persimmon Homes (Midlands) Limited	Ordinary*
Persimmon Homes (North East) Limited	Ordinary*
Persimmon Homes (North Midlands) Limited	Ordinary*
Persimmon Homes (North West) Limited	Ordinary*
Persimmon Homes (Partnerships) Limited	Ordinary
Persimmon Homes (South Coast) Limited	Ordinary*
Persimmon Homes (South East) Limited	Ordinary*
Persimmon Homes (South Midlands) Limited	Deferred* and A Ordinary*
Persimmon Homes (South West) Limited	Ordinary*
Persimmon Homes (South Yorkshire) Limited	Ordinary*
Persimmon Homes (Teesside) Limited	Ordinary*

Name of undertaking	Description of shares held
Persimmon Homes (Thames Valley) Limited	Ordinary*
Persimmon Homes (Wales) Limited	Ordinary*
Persimmon Homes (Wessex) Limited	Ordinary*
Persimmon Homes (West Midlands) Limited	Deferred* and A Ordinary*
Persimmon Homes (West Scotland) Limited	Ordinary*
Persimmon Homes (West Yorkshire) Limited	Ordinary*
Persimmon Homes (Woodley) Limited	Ordinary
Persimmon Homes (York) Limited	Ordinary
Persimmon Homes (Yorkshire) Limited	Deferred* and Ordinary*
Persimmon Homes Developments Limited	Ordinary
Persimmon Homes Limited	Ordinary*
Persimmon Partnerships (Scotland) Limited	Ordinary*
Persimmon Pension Trustees Limited	Ordinary
Persimmon Residential Limited	Ordinary*
Persimmon Scottish Limited Partnership**[1]	n/a
Persimmon Scottish Pension Trustees Limited[1]	Ordinary
Persimmon Shared Equity Limited	Ordinary
Persimmon Tileworks Limited	Ordinary*
Persimmon Trustees Limited	Ordinary
Pinnacle Developments (Scotland) Limited[1]	Ordinary*
Practical Finance Co. Limited	Ordinary*
Prowting Homes Anglia Limited	B Ordinary*, C Ordinary* and D Ordinary*
Prowting Homes Central Limited	Ordinary*
Prowting Homes Chatsworth Limited	Ordinary*
Prowting Homes Limited	Ordinary*
Prowting Homes Ludlow Limited	Ordinary*
Prowting Homes Midlands Limited	Ordinary*
Prowting Homes South East Limited	Ordinary*
Prowting Homes South West Limited	Ordinary*
Prowting Homes West Limited	Ordinary*
Prowting Homes Wolds Limited	Ordinary*
Prowting Limited	Ordinary*
Prowting Projects Limited	Ordinary*
Prowting Properties Limited	Ordinary*
Repac Homes Limited	Ordinary*

Name of undertaking	Description of shares held
SLB Construction Management Limited	Ordinary*
Second City Homes Limited	Deferred* and A Ordinary*
Senator Homes Limited	Ordinary*
Sequoia Developments Limited	Ordinary*
Severnbrook Homes Limited	Ordinary*
Sherbourne Properties (Warwick) Limited	Ordinary*
Space4 Limited	Ordinary*
Springfir Estates Limited	Ordinary*
Springfir Holdings Limited	Ordinary*
Steelhaven (7) Limited	Ordinary* and 1% Non-Cumulative Redeemable Participating Preference*
Tamborough Developments Limited	Ordinary*
Tela Properties Limited	Ordinary*
The Charles Church Group Limited	A Ordinary*
The Charles Church Group Share Trustees Limited	Ordinary*
Townedge (Holdings) Limited	Ordinary*
Townedge Estates Limited	Ordinary*
Trent Park Regeneration Limited	A Ordinary* and B Ordinary*
Tryall Developments Limited	Ordinary*
Tudor Jenkins & Company Limited	Ordinary*
Walker Homes (Scotland) Limited[1]	Ordinary*
Wardour Limited (Incorporated in Gibraltar)[12]	Ordinary*
Wenshaw Limited	Ordinary*
Wescott Holdings Limited	Ordinary*
Wescott Homes Limited	Ordinary*
Wescott Land Limited	Ordinary*
Westbury Direct Limited	Ordinary*
Westbury Homes (Holdings) Limited	Irredeemable Preference*, Ordinary*, Deferred* and 9.25% Preference*
Westbury Homes (Midlands) Limited	Ordinary*
Westbury Homes (Oval) Limited	Ordinary*
Westbury Homes (Severnside) Limited	Ordinary*
Westbury Homes (Somerset) Limited	Ordinary*
Westbury Homes (South West) Limited	Ordinary*
Westbury Homes (Stadium) Limited	Ordinary*

32 Details of all subsidiary undertakings continued

Name of undertaking	Description of shares held
Westbury Homes (Venymore) Limited	A Ordinary* and B Ordinary*
Westbury Homes (Wales) Limited	Ordinary*
Westbury Homes (West Midlands) Limited	Ordinary*
Westbury Homes Limited	Ordinary*
Westbury Housing Investments Limited	Ordinary*
Westbury Limited	Ordinary
William Leech Builders (North West) Limited	Ordinary*
William Leech Limited	Ordinary* and 6.5% Cumulative Preference*

* Share class held by another Group company, but ultimately held by Persimmon Plc.
** A Scottish Limited Partnership.
1 180 Findochty Street, Garthamlock, Glasgow, G33 5EP
2 6 Europa Court, Sheffield Business Park, Sheffield, S9 1XE, England
3 6 Drakes Meadow, Penny Lane, Swindon, Wiltshire, SN3 3LL
4 44 Esplanade, St Helier, JE4 9WG, Jersey
5 3rd Floor Citygate, St. James' Boulvard, Newcastle upon Tyne, Tyne & Wear, NE1 4JE
6 137 Scalby Road, Scarborough, North Yorkshire, YO12 6TB
7 135 Aztec West, Bristol, BS12 4UB
8 Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR
9 1 Rue de Petit Robinson, 78350, Jouy-en-Josas, France
10 84 Boulevard Vivier, Merle, 69003, Lyon, France
11 Immeuble Le Montaigne, 4 Allee des Ambalais, 94420, Le Plessis, Trevise, France
12 3 Bell Lane, Gibraltar
13 Av. Duque de Loulé 47-2, 1050-086, Lisbon, Portugal
14 Temple House, 20 Holywell Row, London, England, EC2A 4XH, United Kingdom
15 6th Floor, 145 St Vincent Street, Glasgow, G2 5JF, United Kingdom

Joint Arrangements

Name of undertaking	Description of shares held	Proportion of nominal value of share class held	Proportion of all share classes
Balaia Golf Village Realizacoes Imobiliaria Turisticos SA (Incorporated in Portugal)[13]	Bearer Shares	50%	50%
Balvil – Gestao de Empreendimentos Turisticos Lda (Incorporated in Portugal)[13]	Ordinary	50%	50%
Beechpath Limited	Ordinary	50%	50%
Bentwaters Housing Limited	Ordinary	50%	50%
Bentwaters Nominees Limited	Ordinary	50%	50%
Brentford Lock Limited	A Ordinary	100%	50%
Coton Park Consortium Limited[14]	WD	50%	25%
Cramlington Developments Limited	A Ordinary	100%	50%
Empreendimentos Turisticos da Armacao Nova Lda (Incorporated in Portugal)[13]	Ordinary	50%	50%
Genesis Estates (Manchester) Limited[2]	Ordinary	50%	50%
Gosforth Business Park Management Company Limited	A Ordinary	100%	33.3%
Haydon Development Company Limited[3]	Ordinary	20.5%	20.5%
Leebell Developments Limited	A Ordinary	100%	50%
Newcastle Great Park (Estates) Limited[5]	A Ordinary	100%	50%
North Haven Developments (Sunderland) Limited	B Ordinary	100%	50%
North Swindon Development Company Limited[3]	Ordinary	15%	15%
Oxfordshire Land Limited	Ordinary	33.3%	33.3%
Quedgeley Urban Village Limited[7]	C Ordinary	100%	25%
Rothley Temple Estates Limited[6]	Ordinary	28.5%	28.5%
SCI 53 Rue Joliot Curie (Incorporated in France)[10]	Participation	42.5%	42.5%
SCI Le Domaine de Vaires (Incorporated in France)[11]	Participation	47.5%	47.5%
SCI Les Jardins Parisiens (Incorporated in France)[9]	Participation	44%	44%
SF 3038 Limited[15]	Ordinary	25%	25%
Sociedade Torre de Marinha Realizacoes Turisticas SA (Incorporated in Portugal)[13]	Ordinary	50%	50%
The Greenlaw Development Company Limited[15]	Ordinary	14.3%	14.3%
Trafalgar Metropolitan Homes Limited	A Ordinary	100%	50%
Triumphdeal Limited[8]	Ordinary	50%	50%
Varandatur LDA (Incorporated in Portugal)[13]	Ordinary	50%	50%
Wick 3 Nominees Limited	B Ordinary	100%	33.3%

32 Details of all subsidiary undertakings continued

Residents Management Companies

The companies listed below are Residents Management Companies (RMCs) currently controlled by the Group. Control is exercised by the Group's power to appoint Directors and the Group's voting rights in these companies. All RMCs are companies limited by guarantee without share capital (unless otherwise stated) and incorporated in the UK.

The capital, reserves and profit or loss for the year has not been stated for these RMCs as beneficial interest in any assets or liabilities of these companies is held by the residents. These companies have not been included in the consolidated accounts, are temporary members of the Group and will be handed over to residents in due course.

The Registered Office of each RMC is Persimmon House, Fulford, York, YO19 4FE (unless otherwise stated).

Company Name
Abbey Green (Amesbury) Management Company Limited
Abbeyvale Taunton Management Company Limited
Ackton Pastures (Castleford) Management Company Limited
Acorn Place Management Limited
Agusta Park Flats Yeovil Management Company Limited
Agusta Park Yeovil Management Company Limited
Aldenham Road (Bushey) Management Company Limited
Alderman Park (Hasland) Management Company Limited
Allt Y Celyn (Rhos) Management Company Limited
Amberwood (Carlisle) Management Company Limited
Amherst Hill (Brompton) Management Company Limited
Appledore Grove Management Company Limited
Arisdale (Phase 2) Residents Management Company Limited
Augusta Park (Dinnington) Management Company Limited
Avalon (Mansfield) Management Company Limited[1]
Aveley Village (Aveley) Residents Management Company Limited
Aveley Village (Thurrock) Management Company Limited
Avery Fields (Birmingham) Management Company Limited
Avon Fields (Durrington) Management Company Limited
Awel Y Coed Management Company Limited
Aykley Woods (Durham) Management Company Limited
Aylesham Village Phase 1b (Aylesham) Residents Management Company Limited
Badbury Park (Swindon) Management Company Limited
Badbury Park (Swindon) No 2 Management Company Limited
Banister Court (Southampton) Management Company Limited

Company Name
Bannerbrook Management Company Limited[2]
Barber Court (Birmingham) Management Company Limited
Barrington Park Management Company Limited
Beauchamp Grange (Caister) Residents Management Company Limited
Beaumont Park (Blandford) Management Company Limited
Beckets Grove Management Company Limited
Beckets Grove Phase 2 (Wymondham) Residents Management Company Limited
Beckford Road (Alderton) Management Company Limited
Bedale Meadows Management Company Limited
Bell Lane (Little Chalfont) Management Company Limited
Bellaport Gardens (Harrington) Management Company Limited
Bishops Grove (Lamphey) Management Company Limited
Bishops Mead (Lydney) Management Company Limited
Bishops Mead (Downton) Management Company Limited
Blossom Meadows (Buttershaw) Management Company Limited
Bluebell Gardens (Morley) Management Company Limited
Bluebell Meadow (Bradwell) Management Company Limited
Boulton Moor (Derby) Properties Limited
Boyton Place (Haverhill) Residents Management Company Limited
Brackenleigh (Carlisle) Management Company Limited
Bramble Rise (Hetton) Management Company Limited
Bramblewood (Old Basing) Residents Management Company Limited
Branshaw Park (Keighley) Management Company Limited
Bridgefield (Ashford) Management Company Limited
Bridgefield Nine Management Company Limited
Brislington House Management Company Limited
Brockeridge Road (Twyning) Resident Management Company Limited[3]
Brook View (Blackburn) Management Company Limited
Brookfield (Golborne) Management Company Limited
Bugbrooke Road (Kislingbury) Management Company Limited[4]
Burfield Park (Witham St Hughs) Residents Management Company Limited
Burfield Valley Estate Management Limited[5]
Buttercup Leys (Boulton Moor) Residential Management Company Limited
Buzzard Meadows (Leighton Buzzard) Residents Management Company Limited[4]
Calder Grange (Dewsbury) Management Company Limited
Canalside (Burton Upon Trent) Residential Management Company Limited
Canonbury Rise (Berkeley) Management Company Limited
Cardea 14 (Stanground) Residents Management Company Limited
Cardea 3d Enterprise (Stanground) Residents Management Company Limited
Carleton Meadows Management Company Limited

32 Details of all subsidiary undertakings continued

Company Name
Carpenters Field (Denmead) Management Company Limited
Castle Green (Shotton) Management Company Limited
Castle Hill (Cottingham) Management Company Limited
Castlemead (953) Trowbridge Management Company Limited
Castlemead (Persimmon 950) Town Trowbridge Limited
Castlemead (Persimmon 964) Town Trowbridge Limited
Castleton Court (Haverfordwest) Management Company Limited
Cathedral Gate (Salisbury) No.1 Management Company Limited
Cathedral Gate (Salisbury) No.2 Management Company Limited[6]
Cathedral View (Durham) Management Company Limited
Century Rise (Emersons Green) Management Company Limited
Chancery Fields (Chorley) Management Company Limited
Charlton Place (Keynsham) Management Company Limited
Chilmark Glade Management Company Limited
Chorley G1 Management Company Limited[7]
Church Lane (Deal) Residents Management Company Limited
Clarence Place (Bracknell) Residents Management Company Limited
Cloatley Cresent Management Company Limited
Clos Ty Gwyn (Hendy) Management Company Limited
Clover Chase (Lingwood) Residents Management Company Limited
Coastal Dunes (Lytham St Annes) Management Company Limited
Coed Darcy (Llandarcy) Management Company Limited
Colonial Wharf (Chatham) Residents Management Company Limited
Copperfield Place (Chelmsford) Residents Management Company Limited
Copperfield Truro Management Company Limited
Coquet Grange (Amble) Management Company Limited
Corelli Sherborne Management Company Limited
Cote Farm (Thackley) Management Company Limited
Coton Park (Rugby) Management Company Limited
Cotswold Vale (Long Marston) Management Company Limited[3]
Coverdale (Paignton) Management Company Limited[8]
Cranborne Heights Management Company Limited
Crawshay Bailey Close Limited[9]
Crofton Walk (Fair Oak) Management Company Limited
Cromwell Gardens (Huntingdon) Residents Management Company Limited
Cromwell Place (Little Dunmow) Residents Management Company Limited
Crosland Road (Lindley) Management Limited
Cross Quays (Westwood) Management Company Limited
Cross Quays Phase 2 (Thanet) Residents Management Company Limited

Company Name
Cumnor Hill Management Company Limited
Cwrt Y Llwyfen (Johnstown) Management Company Limited
Daisy Hill (Morley) Management Company Limited
Dan Y Bryn Management Company Limited
Deerwood Park (Colne) Management Company Limited
Dol Yr Ysgol (Bridgend) Management Company Limited
Douglas Gardens (Hesketh) Management Company Limited[7]
Downs View (Swanley) Residents Management Company Limited
Dukes Meadow (Tangmere) Management Company Limited
D'urton Heights (Preston) Management Company Limited
Dyffryn Management Limited
Earlesmead (Framingham Earl) Residents Management Company Limited
East Benton Rise (Benton) Management Company Limited
Eclipse House (Andover) Management Company Limited
Elkas Rise (Ilkeston) Management Company Limited
Ellesmere Park (The Oaks) Management Company Limited
Ellis Mews (Micheldever) Management Company Limited
Elworth Park Management Company Limited[10]
Emerald Gardens (Yapton) Management Company Limited
Emily Fields (Swansea) Management Company Limited
Eton Place (Bracknell) Management Company Limited
Eve Park (Falmouth) Management Company Limited
Eversfield (Uckfield) Management Company Limited
Fair Mile Rise (Blandford St Mary) Management Company Limited
Fairfax Mews (Crediton) Management Company Limited[8]
Fairmoor (Morpeth) Management Company Limited
Fairways (Retford) Management Company Limited
Farley Fields South Petherton Management Company Limited
Feethams Green (Darlington) Management Company Limited
Fleckney Road Management Company Limited
Foley Gardens (Newent) Residential Management Company Limited[3]
Folly Grove (Hockley) Residents Management Company Limited
Forgewood (Crawley) Management Company Limited[5]
Foundry Meadows (Bexhill) Residents Management Company Limited
Friarwood Park (Pontefract) Management Company Limited
Garden Valley (Aylesham) Residents Management Company Limited[5]
George Ward Gardens (Melksham) Management Company Limited
Germany Beck (Fulford) Management Company Limited
Glan Yr Afon (Swansea) Management Company Limited

32 Details of all subsidiary undertakings continued

Company Name
Gotherington Grange Resident Management Company Limited
Grangewood Park (Burnham on Crouch) Residents Management Company Limited
Grays Court (Orpington) Residents Management Company Limited[5]
Great Western Park (Didcot) No 1 Management Company Limited
Great Western Park (Didcot) No 2 Management Company Limited
Great Western Park (Didcot) No 3 Management Company Limited
Great Woodcote Park Exeter Management Company Limited
Greenacres (Compton) Management Company Limited
Greenacres (Easington) Management Company Limited
Greenfield Court (Newport) Limited
Greenfields (Narberth) Management Company Limited
Greetwell Fields (Lincoln) Residents Management Company Limited
Grove Street (Raunds) Residents Management Company Limited
Hailes Wood (Elsenham) Residents Management Company Limited
Hamilton Gate (Frinton) Residents Management Company Limited
Hamlet Crescent (Little Walden) Residents Management Company Limited
Hampton Gardens Phase 3 (Peterborough) Residents Management Company Limited
Hampton Park (Littlehampton) Residents Management Company Limited
Hampton Park (Stanway) Residents Management Company Limited
Hansons Reach (Stewartby) Residents Management Company Limited
Hanwell Chase (Banbury) Residents Management Company Limited
Harbourside View (Portchester) Management Company Limited
Harbury Lane (Warwick) Management Company Limited
Harford Mews (Ivybridge) Management Company Limited[8]
Harlow Fields (Mackworth) Residential Management Company Limited
Harlow Hill Grange (Harrogate) Management Company Limited
Harrington Road (Desborough) Management Company Limited
Harrow View West (Harrow) Residents Management Company Limited
Hartcliffe Meadows (Penistone) Management Company Limited
Hartnells Farm Management Company Limited
Harvest Gate (Totton) Management Company Limited[6]
Hastings Place (Bentley) Management Company Limited
Hatchwood Mill (Winnersh) Management Company Limited
Hathern Road (Shepshed) Management Company Limited[3]
Haven Village Management Limited*
Hawthorn Chase (Aston Clinton) Residents Management Company Limited
Haywards Gardens (Kegworth) Man Co. Limited[11]
Haywood Heights (Writhlington) Management Company Limited

Company Name
Hazel Brook Management Company[12]
Heathfield Gardens (Phase 7) Management Company Limited
Heathpark Wood (Windlesham) Management Company Limited
Hellingly 415 Residents Management Company Limited
Hellingly 416 Management Company Limited
Hellingly 418 Management Company Limited
Hepburn Chase Management Company Limited[13]
Heritage Gate (Llantwit Major) Residents Management Company Limited
Heritage Green (Newbottle) Management Company Limited[14]
Heritage Park (Shinfield) Residents Management Company Limited
Heritage Park (Sutton Courtenay) Residents Management Company Limited
Herne Vale Ilminster Management Company Limited
Higham Lane Management Company Limited
Highcliffe View (Guisborough) Management Company Limited
Hill Barton Vale Exeter Management Company Limited
Hill Barton Vale Flats Exeter Management Company Limited
Hillies View (Wombwell) Management Company Limited
Holdingham Grange (Sleaford) Residents Management Company Limited
Holmewood (Littleport) Management Company Limited
Horsbere Mews (Longford) Management Company Limited
Horseshoe Meadows (Westbury) Management Company Limited
HRC (Ware) Residents Management Company Limited
Hunts Pond Road (No 2) Management Company Limited
Hunts Pond Road Management Company Limited
Hydro (St Neots) Number One Management Company Limited
Imperial Park (Bristol) Management Company Limited
Ingleby (Barwick) Management Company Limited
Iwade Meadows (Iwade) Management Company Limited
Iwade Meadows (Yalding Apartments Plots 74-79) Management Company Limited
Jasmine Gardens (Residential Management Company) Limited
Jasmine Gardens Management Company Limited
Kennedy Place (Ulverston) Management Company Limited
Kings Grove Cranbrook Management Company Limited
Kingsbridge Court (Gorseinon) Management Company Limited
Kingsbridge Fields Management Company Limited
Kingsbury Gardens (St Albans) Residents Management Company Limited
Kingsbury Meadows (Wakefield) Management Company Limited
Kingsmead (Gloucester) Management Company Limited

32 Details of all subsidiary undertakings continued

Company Name
Knights Court (Old Sarum) Management Company Limited
Knightswood Place (Rainham) Residents Management Company Limited
Knoll Lane (Ashford) Management Company Limited
Kyngshouton (Houghton Regis) Residents Management Company Limited
Ladgate Woods (Middlesbrough) Management Company Limited
Lakeside Edge (Peterborough) Residents Management Company Limited
Lauder Mews Crediton Management Company Limited
Launds Field (Galgate) Management Company Limited
Laureate Heights Sidmouth Management Company Limited
Lime Tree Court Derby Management Company Limited
Limes Place (Upper Harbledown) Residents Management Company Limited
Lindale Park (Alverthorpe) Management Company Limited
Lindley Moor Meadows (Huddersfield) Management Company Limited
Lingfield Meadows (Houghton) Management Company Limited
Llanilid Management Company Limited
Llys Meredith (Swansea) Management Company Limited
Lodmoor Sands (Weymouth) Management Company Limited[6]
Longbridge Place (Longbridge) Management Company Limited
Longleaze Management Company Limited
Low Moor Meadows (Morley) Management Company Limited
Low Street (Sherburn in Elmet) Management Company Limited[14]
Lowen Bre Truro Management Company Limited
Lythalls Lane (Coventry) Management Company Limited
Lythalls Place (Coventry) Management Company Limited
Maes Dyfed Management Company Limited
Maes Y Parc (Cross Hands) Management Company Limited
Maiden Vale (Ryhope) Management Company Limited
Manor Farm (Doncaster) Management Company Limited
Manor Farm (Micklefield) Management Company Limited
Manor Park (Appleby Magna) Management Company Limited[3]
Manor Park Residents Management Company Limited[12]
Manor Place (Maidenhead) Residents Management Company Limited
Manor Vale Residents Management Company Limited
Maple Oak (Alton) Management Company Limited[6]
Marbourne Chase (Lane End) Management Company Limited
Mariners Walk (Swansea) Apartment Management Company Limited*
Mariners Walk (Swansea) Management Company Limited*
Marshfoot Lane (Hailsham) Residents Management Company Limited

Company Name
Martello Park (Pembroke) Management Company Limited
Martineau Gardens Harborne Management Company Limited[15]
Mascalls Grange (Paddock Wood) Residents Management Company Limited
Mayfields (South Kirkby) Management Company Limited
Meadow Rise (Lydney) Management Limited
Meadow View (Oundle) Management Company Limited
Meadow View (Redditch) Resident Management Company Limited
Meadowbrook Gardens (Ossett) Management Company Limited
Merchants Walk Cullompton No 2 Management Company Limited
Mercians Place Management Company Limited
Meridian Place (Hertford) Residents Management Company Limited
Mersey View (Bromborough Pool) Management Company Limited[16]
Mill Valley (Pevensey) Residents Management Company Limited
Mill View (Willingdon) Management Company Limited
Millbeck Grange (Bowburn) Management Company Limited
Millennium Farm (New Waltham) Management Company Limited
Monarchs Chase (Fulwood) Management Company Limited
Monkswood (Sacriston) Management Company Limited
Montague Park (Residents) Management Company Limited[17]
Montfort Place (Odiham) Management Company Limited[7]
Moorfield (Easington) Management Company Limited
Moorfield Park Management Company Limited[7]
Moorfield Way (Wilberfoss) Management Company Limited
Moorlands Walk (Sherburn) Management Company Limited
Morewood Close (Sevenoaks) Management Company Limited
Mount Pleasant (Hatfield) Management Company Limited
Mulberry Grange (Castleford) Management Company Limited
Mulberry Grove (St Fagans Cardiff) Management Company Limited
Nelson's Park (North Walsham) Residents Management Company Limited
Newlands Park (Dearham) Management Company Limited
NGP Management Company (Cell E) Limited*[18]
NGP Management Company (Cell F) Limited*[18]
NGP Management Company (Commercial) Limited*[18]
NGP Management Company (Town Centre) Limited*[18]
NGP Management Company Residential (Cell C) Limited*[18]
NGP Management Company Residential (Cell G) Limited*[18]
Nightingale Gardens (NR1 And NR3) Residents Management Company Limited
Norton Gardens Residents Management Company Limited

32 Details of all subsidiary undertakings continued

Company Name
Oak Heights (Northiam) Residents Management Company Limited[5]
Oakland Gardens (Wilthorpe) Management Company Limited
Oakley Grange & Eden Villas (Cheltenham) Management Company Limited
Oakwood Farm (Sevenoaks) Management Company Limited
Oakwood Meadows (Colchester) Residents Management Company Limited
Oakwood Park (Wymondham) Residents Management Company Limited
Oakwood View (Brackla) Management Company Limited
Oakwood View (Weston-Super-Mare) Management Company Limited
Oast Court Farm (East Malling) Management Company Limited[19]
Old Road (Churwell) Management Company Limited
Old School Drive (Wheathampstead) Management Company Limited
Orchard Croft (Diss) Residents Management Company Limited
Orchard Grove (Coxheath) Residents Management Company Limited
Orchard Manor (Cheddington) Residents Management Company Limited
Oxley Springs (Milton Keynes) Management Company Limited
Oxley Springs 8b (Milton Keynes) Management Company Limited
Paddocks 21 (Andover) Management Company Limited
Palmerston Heights Plymouth Management Company Limited
Paragon Park (Coventry) Management Company Limited
Parc Brynderi (Llanelli) Management Company Limited
Parc Yr Onnen (The Limes) Management Company Limited
Parklands (Maidstone) Management Company Limited
Parkside (Cosham) Management Company Limited
Parrett Gardens (Langport) Management Company Limited
Pavilion Gardens (Monkton Heathfield) Management Company Limited
Pear Tree Gardens (Bamber Bridge) Management Company Limited[16]
Pembridge Court (Clehonger) Residents Management Company Limited
Peninsula (Machynys) Management Company Limited[6]
Penny Pot Lane (Harrogate) Management Company Limited
Penrose Place Sidmouth Management Company Limited
Persimmon Gardens (Hindley) Management Company Limited
Persimmon Gardens (Martham) Residents Management Company Limited
Persimmon Grange Framlingham Residents Management Company Limited
Persimmon Homes The Oaks (Selly Oak) Management Company Limited
Phoenix Park (Dunstable) Residents Management Company Limited
Phoenix Place (North Hykeham) Management Company Limited
Picket 20 Management Company Limited
Picket Twenty Two (Andover) Management Company Limited

Company Name
Portland Park (Ashington) Management Company Limited
Potters Wynd (Durham) Management Company Limited
Priory Meadows (Bodmin) Management Company Limited
Priory Park (Marcham) Management Company Limited
Quantock View Management Company Limited
Quantum (Grays) Management Company Limited
Quinta Mews Management Company Limited[20]
Radstone Road (Brackley) Management Company Limited
Rainton Meadows (Chilton Moor) Management Company Limited[14]
Ramsdell (Ashford Hill) Management Company Limited
Readers Retreat (Hay-on-Wye) Residents Management Company Limited
Rectory Lane (Standish) Management Company Limited
Redland Grange (Cottenham) Residents Management Company Limited
Regency Gardens (Wath) Management Company Limited
Regent Park (Calne) Management Company Limited
Regents Place (Chellaston) Management Company Limited
Repton Park 18 (Ashford) Residents Management Company Limited
Repton Park 19-23 (Ashford) Residents Management Company Limited
Repton Park 8 & 10 (Ashford) Residents Management Company Limited
Rivendell (Gedling) Management Company Limited
Riverbourne Fields Management Company Limited
Rooley Park (Bradford) Management Company Limited
Roseberry Park (Pelton) Management Company Limited
Salterns (Terrington) Residents Management Company Limited
Saltram Meadow Plymouth Management Company Limited
Sandfield Walk (Nottingham) Management Company Limited
Sandgate Drive (Kippax) Management Company Limited
Sandpipers (Minster) Residents Management Company Limited
Saxon Fields (Bridgwater) Management Company Limited
Saxon Gate (Chelmsford) Management Company Limited
Saxon Meadow (Sutton on Trent) Residents Management Company Limited
Saxons Chase (Headcorn) Residents Management Company Limited
Scholars Gate (Royston) Management Company Limited
Scholars Green (Northampton) Residents Management Company Limited[4]
Scholars Rise (Stokenchurch) Management Company Limited[7]
Scholars Walk (Melksham) Management Company Limited
Seaside Lane (Easington) Management Company Limited
Seaview Apartments (Machynys) Management Company Limited

32 Details of all subsidiary undertakings continued

Company Name
Sharpes Meadow (Heybridge) Residents Management Company Limited
Sherborne Fields (Basingstoke) Management Limited
Sherborne Fields Apartments Ph3 (Basingstoke) Management Limited
Sherborne Fields Apartments Ph6 (Basingstoke) Management Company Limited
Shilton Place (Coventry) Management Company Limited[21]
Shirewood (Beighton Road) Management Company Limited
Silver Hill (Preston) Management Company Limited
Solway View (Workington) Management Company Limited
Sovereign Quarter (Gillingham) Management Company Limited
Speckled Wood (Carlisle) Management Company Limited
St Andrews (Uxbridge) Management Company Limited[3]
St Andrews Park (Phase 3c Uxbridge) Management Company Limited
St Andrews Park (Vine Lane 1a) Management Company Limited[3]
St Andrews Park (Vine Lane 2a) Management Company Limited
St Andrews Park 2b/3a (Churchill Road, Uxbridge) Management Company Limited
St Andrews Park 3b (Uxbridge) Management Company Limited[3]
St Andrews Ridge (Swindon) Management Company Limited
St Dunstans Place (Burbage) Management Company Limited
St Edeyrns Apartments (Cardiff) RMC Limited
St Edeyrns Village (Cardiff) Residents Management Company Limited
St Edmunds (Frome) Management Company Limited
St George (Lancaster) Management Company Limited
St Gregorys (Swarcliffe) Management Company Limited
St James Park (Bramley) Residents Management Company Limited
St Johns Wood (North Baddesley) Management Company Limited
St Oswalds Park (Gloucester) Management Company Limited
St Peters Place (Salisbury) Management Company Limited
St Wilfreds View (Ripon) Management Company Limited
Stanbridge Meadows (Petersfield) Management Company Limited
Stortford Fields (Bishops Stortford) (Persimmon) Resident Management Company Limited
Strawberry Fields Penryn Management Company Limited
Stream View Management Company Limited[20]
Sunningdale Park (Thornton) Management Company Limited
Sycamore Gardens (Oakdale) RMC Limited[22]

Company Name
Sycamore Rise (Thame) Residents Management Company Limited
Tarraby View (Carlisle) Management Company Limited
Teasdale Place (Carlisle) Management Company Limited
The Acorns (Shirley) Management Company Limited[3]
The Alders (Gilwern) Residents Management Company Limited
The Blossoms (Blackburn) Management Company Limited[7]
The Boulevards (East Tilbury) Residents Management Company Limited
The Boulevards (Newport) Residents Management Company Limited
The Bridge (Dartford) 29 And 31a Residents Management Company Limited
The Bridles (Ffos Las) Management Company Limited[22]
The Carriages (Burscough) Management Company Limited
The Copse (Bridgwater) Management Company Limited[12]
The Cottons (Holmes Chapel) Management Company Limited
The Croft (Burgess Hill) Residents Management Company Limited
The Edge (Hempstead) Management Limited
The Fairway (Scunthorpe) Management Company Limited[14]
The Fell (Lyde Green) Management Company Limited
The Gateway (Colchester) Residents Management Company Limited
The Goldings Newquay Management Company Limited
The Grange (Chalfont St Peter) Management Company Limited
The Grange (Chepstow) Limited
The Grange (Wellesbourne) Management Company Limited
The Haven (Swansea) Management Company Limited
The Heath (Sandbach) Management Company Limited[7]
The Hedgerows (Alsager) Management Company Limited
The Hedgerows (Thurcroft) Management Company Limited[16]
The Heights (Newark) Residents Management Company Limited
The Lancasters (Cambridge) Residents Management Company Limited
The Links (Machynys East) Management Company Limited[6]
The Links (Seascale) Management Company Limited
The Maltings (Shaftesbury) Management Company Limited
The Maltings (Shaftesbury) No 2 Management Company Limited
The Middles (Stanley) Management Company Limited
The Mile (Pocklington) Management Company Limited
The Oaks (Selly Oak) Management Company Limited[15]

32 Details of all subsidiary undertakings continued

Company Name
The Orchard (Elsenham) Management Company Limited
The Orchard Brompton Farm (Strood) Residents Management Company Limited
The Oval (Selly Oak) Management Company Limited[15]
The Paddocks (Aintree) Management Company Limited[23]
The Paddocks (Farcet) Residents Management Company Limited
The Paddocks (Highworth) Management Company Limited
The Pastures (Lowton) Management Company Limited
The Pinnacles Management Company (Thamesmead) Limited
The Poppies (Harleston) Management Company Limited
The Poppies Management Company Limited
The Priory (Llandough) Residents Management Company Limited
The Propella's (Kings Hill) Management Company Limited
The Quadrant (Whitney Crescent) Man Co. Limited
The Reeds Lower Halstow Management Company Limited
The Rosary (Emersons Green) Management Company Limited
The Rydons Exeter Number Two Management Company Limited
The Sands (Durham) Management Company Limited
The Shires (Oswaldtwistle) Management Company Limited
The Swallows Management Company Limited[12]
The Village, Aveley Phase II Residents Management Company Limited
The Weald (Easingwold) Management Company Limited
The Whinmoor (Leeds) Management Company Limited[16]
The Wickets (Penenden Heath) Residents Management Company Limited
The Willows Earlestown (Newton le Willows) Management Company Limited[16]
The Windmills (Kirton) Residents Management Company Limited
Thornley Woods (Gateshead) Management Company Limited
Tilbury Fields (Oxford) Management Company Limited[7]
Towcester Grange (Towcester) Residents Management Company Limited[11]
Trevethan Meadows Liskeard Management Company Limited
Tudor Park (Saffron Walden) Management Company Limited
Tundra Point (Emersons Green) Management Company Limited
Urban Central (Grays) Residents Management Company Limited
Urpeth Green (Ouston) Management Company Limited
Valley Heights (Frome) Management Company Limited[13]
Village Mews (Southowram) Management Company Limited

Company Name
Walmsley Park (Leigh) Management Company Limited
Watercress Way Management Company Limited[20]
Waterfield Place (Market Harborough) Residential Management Company Limited
Waters Edge (Buckshaw) Management Company Limited
Waterside At The Bridge Management Company Limited
Watling Place (Newington) Residents Management Company Limited
Weavers Meadow Estates Management Company Limited
Weavers View (Pleasley Hill) Residents Management Company Limited[1]
Weavers Wharf Apartments (Coventry) Management Company Limited
Wellington Gate (Grove) Management Company Limited
Wellington Gate (Maresfield) Management Company Limited
Wellswood Park (Reading) Residents Management Company Limited
Wentworth Green Management Company Limited
West Gate House (Machynys East) Management Company Limited[6]
West Wick Management Company Limited*[24]
Westgate (Llanfoist) Management Company Limited
Westhaven Apartments (Barry) Residents Management Company Limited
Weston Park Limited
Westwood Park (Churwell) Management Company Limited
White Rose Park (Norwich) Residents Management Company Limited
Whiteford Mews Management Company Limited
Whitewood Park (Bristol) Management Company Limited
Whittington Walk (Worcester) Management Company Limited[3]
Willow Court (Abergavenny) RMC Limited
Willow Park (Aylsham) Management Company Limited
Windmill View (Stanground) Residents Management Company Limited
Wombwell (Barnsley) Management Company Limited
Woodbridge House Management Company Limited
Woodland Gardens (Pyle) Management Company Limited
Woodland Rise (Great Cornard) Residents Management Company Limited
Yew Tree Farm (Droitwich) Management Company Limited
Yew Tree Gardens (Tuffley) Management Company Limited
Ysgol Maes Dyfan (Barry) Residents Management Company Limited

* Private Limited Company

1 Fountain House, Southwell Road West, Mansfield, Nottinghamshire, NG18 4LE
2 Persimmon House, Birmingham Road, Studley, Warwickshire, B80 7BG
3 Whittington Hall, Whittington Road, Worcester, Worcestershire, WR5 2ZX
4 3 Waterside Way, Bedford Road, Northampton, NN4 7XD
5 94 Park Lane, Croydon, Surrey, CR0 1JB
6 Fisher House, 84 Fisherton Street, Salisbury, SP2 7QY
7 RMG House, Essex Road, Hoddesdon, Hertfordshire, EN11 0DR
8 Pembroke House, Torquay Road, Paignton, Devon, TQ3 2EZ
9 23/24 Market Place, Reading, RG1 2DE
10 Chiltern House, 72-74 King Edward Street, Macclesfield, Cheshire, SK10 1AT
11 2 Hills Road, Cambridge, CB2 1JP
12 Units 1, 2 & 3 Beech Court, Wokingham Road, Hurst, Reading, RG10 0RU
13 The Maltings Hyde Hall Farm, Sandon, Buntingford, Hertfordshire, SG9 0RU
14 4335 Park Approach, Thorpe Park, Leeds, LS15 8GB
15 154-155 Great Charles Street Queensway, Birmingham, B3 3LP
16 Gateway House, 10 Coopers Way, Southend On Sea, Essex, SS2 5TE
17 20 King Street, London, EC2V 8EG
18 3rd Floor Citygate, St. James' Boulevard, Newcastle Upon Tyne, NE1 4JE
19 1 Sherman Road, Bromley, Kent, BR1 3JH
20 Scholars House, 60 College Road, Maidstone, Kent, ME15 6SJ
21 1st Floor Lancaster House, 67 Newhall Street, Birmingham, B3 1NQ
22 Western Permanent Property, 46 Whitchurch Road, Cardiff, CF14 3LX
23 Unit 7 Portal Business Park, Eaton Lane, Tarporley, CW6 9DL
24 135 Aztec West, Bristol, BS32 4UB

Shareholder Information

Band analysis as at 31 December 2019

Size of shareholding	Number of shareholders	% of shareholders	Number of shares	% of shares
1 – 5,000	8,273	86.88	5,303,697	1.66
5,001 – 50,000	773	8.12	13,425,954	4.21
50,001 – 250,000	276	2.90	32,290,671	10.13
250,001 – 999,999,999	200	2.10	267,882,063	84.00
Total	**9,522**	**100.00**	**318,902,385**	**100.00**

Share price – year ended 31 December 2019

Price at 31 December 2019	£26.95
Lowest for year	£18.025
Highest for year	£29.50

The above share prices are the closing share prices as derived from the London Stock Exchange Daily Official List.

Financial Calendar 2020

Ex-Dividend Date of 125p interim dividend	5 March 2020
Record Date of 125p interim dividend	6 March 2020
Payment of interim dividend of 125p	2 April 2020
Annual General Meeting	29 April 2020
Trading Update	29 April 2020
Ex-Dividend Date of 110p final dividend	11 June 2020
Record Date of 110p final dividend	12 June 2020
Payment of final dividend of 110p	6 July 2020
Trading Update	9 July 2020
Announcement of Half Year Results	18 August 2020
Trading Update	10 November 2020

Five Year Record

	2019	2018	2017	2016	2015
Unit sales	**15,855**	16,449	16,043	15,171	14,572
Housing revenue	**£3,420.1m**	£3,545.8m	£3,422.3m	£3,136.8m	£2,901.7m
Average selling price	**£215,709**	£215,563	£213,321	£206,765	£199,127
Profit from operations	**£1,036.7m**	£1,091.9m	£966.1m	£778.5m	£634.5m
Profit before tax	**£1,048.1m**	£1,100.0m	£977.1m	£782.8m	£637.8m
Basic earnings per share	**269.1p**	286.3p	258.6p	205.6p	173.0p
Diluted earnings per share	**268.6p**	283.7p	246.5p	199.5p	169.1p
Cash return/dividend per share	**235.0p**	235.0p	235.0p	135.0p	110.0p
Net assets per share	**1,021.7p**	1,006.0p	1,036.6p	887.3p	800.7p
Total shareholders' equity	**£3,258.3m**	£3,194.5m	£3,201.6m	£2,737.4m	£2,455.8m
Return on capital employed	**37.0%**	41.3%	40.3%	30.7%	25.1%

All figures stated before exceptional items, goodwill amortisation/impairment and includes land creditors where applicable.

Directors

Roger Devlin
Chairman

Dave Jenkinson
Group Chief Executive

Mike Killoran
Group Finance Director

Nigel Mills
Senior Independent Director

Marion Sears
Non-Executive Director

Rachel Kentleton
Non-Executive Director

Simon Litherland
Non-Executive Director

Life President

Duncan Davidson founded Persimmon in 1972. The Company floated on the London Stock Exchange in 1985 and became the first pure housebuilder to enter the FTSE 100 in December 2005. Mr Davidson retired as Chairman in April 2006 and assumed the role of Life President.

Company information

Company Secretary
Tracy Davison

Registered office
Persimmon House
Fulford, York YO19 4FE
Telephone (01904) 642199

Company number
1818486
Incorporated in England

Auditor
Ernst & Young LLP

Bankers
The Royal Bank of Scotland plc
Lloyds Banking Group plc
Barclays Bank PLC
HSBC plc
Santander UK plc

Financial PR Consultants
Citigate Dewe Rogerson
8th Floor, Holborn Gate
26 Southampton Buildings
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TEAM GB

Persimmon
Together, we make a home.
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