Persimmon plc today announces Final Results for the year ended 31 December 2017.

Highlights

- Excellent performance in 2017 with another year of disciplined high quality growth
- Legal completions increased by 872 new homes to 16,043 (2016: 15,171) and average selling price increased by 3.2% to £213,321 (2016: £206,765)
- Revenue for the year up 9% to £3.42bn (2016: £3.14bn)
- Operating margin* increased to 28.2% (2016: 24.8%); with second half improvement to 28.8%
- 25% increase in underlying profit before tax* to £977.1m (2016: £782.8m)
- 26% increase in underlying basic earnings per share* to 258.6p (2016: 205.6p)
- 18% increase in cash generation (pre capital returns) to £806m (2016: £681m)
- 51.5% return on average capital employed**, an increase of 31% (2016: 39.4%)
- 17,301 plots of land acquired in the year, with 8,296 plots successfully converted from the Group's strategic land portfolio
- Net cash of £1,303m at 31 December 2017 (2016: £913m)
- 10% increase in post tax return on equity to 26.5% (2016: 24.1%)
- 7.5% increase in forward sales at £2.03bn (2017: £1.89bn)
- Interim and Final dividends declared of 125p and 110p per share respectively

Long term strategy

- Excellent performance continues:
  - Successfully delivering growth - new home legal completions ahead by over 70% since launch of strategy in 2012
  - Successfully returning surplus capital - £1,488m, or £4.85 per share, of excess capital returned since launch of plan in 2012
- The Group's continued outperformance and generation of surplus capital in 2017 has enabled a further increase in the Capital Return Plan to be announced today:
  - Additional Capital Return payments of 125 pence per share to be made each year for the next three years ending in 2020, increasing the total value of the Plan by 375 pence per share to £13.00 per share
  - These new additional returns will be paid as an interim dividend in late March/early April each year. The first of these additional payments will be made on 29 March 2018 as an interim dividend in respect of the financial year ended 31 December 2017, totalling c. £390m
- In addition, the Board is pleased to confirm that the scheduled capital return of 110 pence per share, or c. £340m, will be paid, subject to shareholder approval, on 2 July 2018 as a final dividend in respect of the financial year ended 31 December 2017
- Following this further improvement of the payment schedule the total value of the Capital Return Plan is estimated to be c. £4.1 billion or £13.00 per share, over double the original plan value of £6.20 per share

* stated before goodwill impairment of £11.0m (2016: £8.0m)
** 12 month rolling average and stated before goodwill impairment

Nigel Mills, Senior Independent Director and Acting Chairman, said: "Persimmon's performance in 2017 has been excellent. The Group's focus on high quality growth, coupled with capital discipline, has accelerated the delivery of our strategic objectives and generated record returns for our shareholders."

"The Group's outstanding performance is demonstrated by both the strength of the financial position of the business and the quality of the asset platform, which provides the opportunity to continue to deliver excellent returns moving forwards. Since the launch of the Group's new strategy in 2012 the Group has increased new home completion volumes by more than 70% and invested c. £3.18bn of cash in land while simultaneously returning c. £1.49bn of surplus capital to shareholders."

"The start to the spring sales season in 2018 has been encouraging with the Group's private sales rate per site being 7% higher than last year at this point. The further increase in the Capital Return Plan demonstrates the Board's confidence in the Group's prospects."

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

Telephone number: +44 (0)330 336 9411

Password: Persimmon

Webcast link: https://edge.media-server.com/m6/p/3ac8v6yz

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

STATEMENT OF THE ACTING CHAIRMAN

Disciplined growth and value creation

Results

The Group's performance for 2017 has been excellent, with revenues increasing by 9% to £3,422.3m (2016: £3,136.8m) and profit before tax increasing by 25% to £966.1m (2016: £774.8m). Persimmon delivered 16,043 new homes to customers across the UK, an increase of 872 new homes compared with last year. The Group's average selling price of £213,321 was 3.2% higher (2016: £206,765).

Persimmon remains focused on executing its long term strategic plan, resulting in high quality growth and superior value creation. Delivering this growth is dependent on securing the necessary implementable detailed planning consents for land in attractive locations as efficiently as possible, progressing development construction activity promptly and achieving rates of new home construction to meet market demand. The team is seeking to expand the Group's output further to deliver the new housing needed by local communities across the UK. To support this growth we opened our sixth new operating business in three years on 2 January 2018, the new team being based near Ipswich in Suffolk, which takes the total number of Group house building businesses to 30. A disciplined focus on the Group's strategic priorities has ensured our operational performance. Since the launch of the new strategy in 2012 Persimmon has made a significant contribution to increasing housing supply across the UK by investing £3.18bn in land, opening 1,189 new sales outlets, and delivering 80,726 new homes to the market by increasing annual production by over 70%.

We are particularly pleased to report that the Group's underlying gross margins increased by 350 basis points to 31.3% during 2017 (2016: 27.8%), in line with the trend reported at the half year. Persimmon opened 197 new sales outlets in 2017 providing further support to the Group's keen level of land cost recoveries from the new home sales legally completed from these sites. Strong control over our development costs supported this gross margin improvement.

The Group's growth towards optimal scale in each of its local markets underscores our operational efficiency, our underlying operating margin* of 28.2% being 340 basis points higher than the prior year (2016: 24.8%). Underlying operating profit* of £966.1m was 24% ahead of last year (2016: £778.5m). The further increase of 120 basis points in operating margin* in the second half of the year to 28.8% (H1 2017: 27.6%) was supported by an increase of 455 homes sold in the second half to 8,249 homes (H1 2017: 7,794).

Underlying profit before tax* increased by 25% to £977.1m (2016: £782.8m) and underlying basic earnings per share* of 258.6 pence was 26% higher than last year's 205.6 pence.

Due to the Group's strong trading performance and capital discipline, 285 pence per share of total shareholder equity value before capital returns was delivered in 2017, an increase of 41% over the prior year (2016: 202 pence per share). In line with our strategic priorities which seek to maximise cash efficiency and capital discipline through the cycle, the Group's liquidity remains excellent. We generated £806m of free cash before capital returns during the year (2016: £681m) whilst also acquiring 17,301 plots of new land across 84 high quality locations. Our strategic land portfolio contributed 8,296 plots in 28 locations to this total. The Group invested £602m in land during the year.

The Group held £1,302.7m of cash at the end of the year (2016: £913.0m). Return on average capital employed** was 51.5% for 2017, an improvement of 31% over the previous year (2016: 39.4%).

Long term strategy and Capital Return Plan

At the start of 2012 Persimmon launched a new strategy focused on mitigating the risks to sustainable shareholder value creation inherent in the UK housing market by maintaining capital discipline and delivering strong free cash generation to shareholders through the housing cycle. Retaining flexibility for appropriate reinvestment in the business whilst minimising financial risk remain key priorities of our strategy. Where the planning system allows, the Group remains committed to increasing output in each of our regional markets to meet market demand. Our disciplined approach to investing in land and work in progress optimises trading efficiencies and land replacement activity supporting each of our 30 house building businesses to reach optimal scale.

With strong operational execution, our strategy recognises the potential for the Group to generate surplus capital. The Board therefore made a long term commitment in early 2012 to deliver £1.9bn (£6.20 per share) of surplus capital to shareholders over ten years to 2021 ("the Capital Return Plan"). The value of the Capital Return Plan was similar to the market capitalisation of the Group at the time the plan was launched.

Given the strong performance and financial position of the Group, having completed its annual review of the availability of surplus capital, the Board is pleased to announce a further increase in the Capital Return Plan. Whilst the regular annual instalments under the Plan will be maintained at 110 pence per share, the Company intends to make additional capital return payments of 125 pence per share, each year for the next three years ending in 2020 with the intention of returning the Group's cash holdings to more appropriate levels. These additional payments will be paid as an interim dividend in late March/early April each year. The annual payments of 110 pence per share will remain to be paid in early July each year as a final dividend, and subject each year to shareholder approval. The first additional payment of surplus capital of 125 pence per share will be paid on 29 March 2018 to shareholders on the register on 9 March 2018, as an interim dividend in respect of the financial year ended 31 December 2017. In addition, the Board is pleased to recommend to shareholders that the annual payment of 110 pence per share will be made on 2 July 2018 as a final dividend with respect to the financial year ended 31 December 2017, to shareholders on the register on 15 June 2018. The total value of the Capital Return Plan has therefore increased to £13.00 per share to 2021, more than double the £6.20 per share original commitment made by the Board in 2012.

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

Board Changes

The Board announced the resignation of Jonathan Davie, together with Nicholas Wrigley's intention to resign, on 14 December 2017. I was appointed SID on that date and Marion Sears was appointed Remuneration Committee Chair. Nicholas stepped down from the Board on 26 February 2018 and I was appointed Acting Chairman from that date.

The Board would like to thank both Jonathan and Nicholas for their long service to the Company and particularly to record its appreciation of their clear sense of accountability in recognising that the 2012 LTIP could have included a cap, the absence of which led them to tender their resignations.

The Board is progressing its search for a new Chairman and will make an announcement when the process has been concluded.

Outlook

We have experienced encouraging levels of customer activity in the first eight weeks of the 2018 spring season with healthy visitor numbers to the Group's development sites. The Group's private sales rate per site was 7% higher than last year at this point and current total forward sales, including legal completions taken so far in 2018, are £2.03bn, 7.5% ahead of the previous year (2017: £1.89bn). Cancellation rates remain at historically low levels. The average selling price of private sales within our total sales is £234,106, 2.0% higher than at the same point last year, and pricing conditions remain firm.

The Group is well placed to deliver a further increase in new home construction across the UK in 2018 where the local planning environment allows. Over the opening weeks of the year the Group's site network has remained strong and we are focused on making an early start on as many new development sites as possible. Our significant investment in work in progress carried forward into 2018 provides a platform for further progress in the Group's construction programmes.

We will continue to work with local planning authorities to identify the land that is required to meet the assessed housing need in their local communities in line with their obligations under the National Planning Policy Framework. We continue to identify good quality land opportunities in the open market although competition has increased slightly. We will maintain our disciplined approach to land replacement so as to sustain higher levels of shareholder value creation through the cycle.

However, we recognise that with the continued increase in industry output the availability of skilled trade resources and some key materials to support further growth continues to be a constraint. Persimmon will continue to take action to help address these issues. The Group has made excellent progress in establishing its brick manufacturing plant at our Harworth manufacturing hub, near Doncaster, and deliveries to site have commenced, providing support to our build programmes. Additionally, we have now taken the decision to manufacture roof tiles and expect to establish a new plant at Harworth during 2018 with the intention of commencing Group supply the following year. Space4 continues to make an important contribution to our expanding in-house manufacturing capability and we anticipate making further investment in the Space4 technology over the coming years. These initiatives, in combination with our increased investment in the team's skill base, both on site, and in each of our regional management teams across the UK, will help the Group deliver further growth, although we also recognise that it can take three to five years for trade trainees to acquire the required high standard of construction skills.

The UK economy has been resilient through 2017 delivering increased levels of employment whilst facing some increased uncertainties associated with the Government's ongoing implementation of the UK's exit from the EU. UK mortgage lenders continue to support customers with competitive and compelling mortgage offers. With the cut in stamp duty for first time buyers announced in November 2017 the Government has provided additional support for families to enter the housing market for the first time. We remain focused on investing in local infrastructure and housing delivery for the communities that we serve.

I would like to thank management, all our staff, our contractors and suppliers for all their hard work and achievements which have contributed to our excellent performance in 2017. The Board is excited by the opportunities for the further development of the business supported by the Group's strong financial position and is confident of securing further progress.

Nigel Mills
Senior Independent Director and Acting Chairman
26 February 2018

* stated before goodwill impairment of £11.0m (2016: £8.0m)

** 12 month rolling average and stated before goodwill impairment

Strategic update

Each of the Group's house building businesses is focused on delivering disciplined growth by meeting customer demand for well-designed homes of quality in locations where people wish to live and work. Persimmon concentrates on the basics of good house building, investing in high quality land and constructing good quality homes, and working with local communities to deliver the infrastructure and new homes that support thriving places. The Persimmon team is proud to contribute to supporting sustainable communities in its local markets. The strategy launched by the Group in early 2012 aims to create, and then protect, superior levels of shareholder value over the long term and through the housing cycle.

The success of the Group's strategy is dependent on optimising the operational execution of the following critical elements of our business model:

- High quality land replacement. By investing in the right land at the right point in the cycle we place the business in the strongest position to deliver higher returns over the near term whilst also mitigating the effects of changing conditions over future periods;

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

- Disciplined control of the capital employed within the business supporting sustainable growth and maintaining an optimal capital structure through the cycle; and

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

With the successful delivery of our operational objectives, the strategy recognises the potential for the Group to generate surplus capital through the housing cycle whilst minimising operational and financial risks. The strategy is designed to generate the maximum sustainable returns and added value for our shareholders in compensation for accepting the key risks that the business faces.

The Group's long term Capital Return Plan, which, in 2012, initially committed to return £1.9bn (£6.20 per share) of surplus capital to shareholders over ten years ending in 2021, reinforces our capital discipline. As announced on release of these results the Board has again decided to increase the Capital Return Plan by a further £1.25 per share, or c. £390m, each year for the next three years to a total of £13.00 per share by 2021, which now represents an 110% improvement over the original Capital Return Plan value per share.

The Group's cash generation has been excellent which has supported significant investment in new land of c. £3.7bn, bringing almost 140,000 new plots into the Group's land bank since the global financial crisis in 2008. In addition, we have increased our construction activity significantly to support the expansion of the number of new homes delivered to customers by over 70% since the launch of the Group's strategy in 2012. This substantial growth has been achieved whilst also returning £1.49bn of surplus capital to shareholders to date, well ahead of the original Capital Return Plan schedule.

Persimmon has delivered further significant progress in 2017 as follows:

- ***Growth***
  The Group's revenues have increased year on year by 9% to £3.42bn, legal completion of new home sales increasing by 872 additional homes over last year to reach 16,043 homes in total.

  We believe disciplined high quality growth is best supported by maintaining a sustainable market share in each of our regional markets. The Group has opened six new house building businesses over the last three years to meet market demand and secure the growth in new home construction that local communities need. We opened our latest new business on 2 January 2018 near Ipswich in Suffolk to help deliver additional development in this important market. The Group now has 30 separate regional house building businesses across the UK.

  Our experience indicates that the efficiencies and returns from our house building operations are optimised on a sustainable basis when we achieve an annual average private sales rate per site of around three new homes sold every four weeks (or c. 0.75 of a sale per site per week). The Group experienced good trading conditions through 2017 and achieved an average weekly private sales rate of c. 0.72.

  The Group will continue to pursue further disciplined growth of our house building operations to deliver superior levels of free cash generation and returns in line with our strategic objectives.

- ***Momentum***
  Total forward sales at 26 February 2018, including legal completions so far this year, increased to £2.03bn, 7.5% stronger than at the same point last year (2017: £1.89bn).

- ***Resilience***
  The expertise of all the Group's employees and subcontractors are key ingredients in delivering the Group's superior operational performance. We continue to invest in new systems and processes, and to build the skill base of the business, particularly in the teams engaged in land sourcing and acquisition, design, site management and construction, sales and customer care, to ensure the Group's operational performance remains strong.

  To support our construction operations we continue to invest in the Group's off-site manufacturing capability. The Group's brick manufacturing facility commissioned during the year is progressing well and has started deliveries to site. We have also decided to establish a roof tile manufacturing plant to aid the Group's build programmes, which will be developed on the site shared with Brickworks at Harworth, near Doncaster. In addition, we anticipate further investment in the Group's Space4 timber frame construction technology over future years to increase capacity and coverage for the Group across the UK.

  The Group's land replacement activity continues to benefit from the investment in our land, planning and design teams, which prioritises opening up new development sites as quickly as possible. During 2017 we opened 197 new sales outlets.

  Over the six years since the launch of the Group's new strategy we have opened 1,189 new sales outlets across the UK.

- ***Asset strength***
  The Group has a very strong balance sheet. At 31 December 2017 our land bank of c. 52,600 owned plots of land with implementable detailed planning consent (2016: c. 52,800 plots) enables each of our 30 local management teams to plan their operations most efficiently over the short term. Our future growth is dependent upon continued substantial investment to bring new land forward in locations where people wish to live and work. We continue to focus on securing planning consents in partnership with local planning authorities and other stakeholders as effectively as possible. We own a further c. 24,500 plots of land (2016: c. 18,000 plots) which are progressing towards detailed consent at this point. These plots will add to our current land bank over future years as the remaining planning requirements and conditions are fulfilled.

  Local communities need sufficient land to be made available in locations where they would prefer to live to satisfy their housing needs. The Government published its Housing White Paper for consultation on 7 February 2017 to support its drive to deliver the right homes in the right places, in increasing numbers, more quickly, based on the objectively assessed needs of local communities. We support the Government's plans to make further improvements to the planning system with the aim of making it more efficient and effective in delivering an increasing number of new sites for construction as promptly as possible to achieve its policy objectives. Reflecting the feedback provided by all stakeholders the Government is expected to introduce a revised National Planning Policy Framework in March this year which is designed to support these aims.

The Group's owned land bank will be added to in the future by land where we have exchanged contracts to buy but where the contract remains to be completed due to outstanding conditions remaining unfulfilled. The c. 21,400 controlled plots (2016: c. 26,400 plots) typically are at an earlier stage in the planning process with the eventual acquisition of the land remaining subject to clearing numerous technical consents and planning conditions. We would like to make a start on the development of these sites as promptly as possible and are working with all stakeholders to achieve the required implementable detailed consents as soon as possible.

The Group acquired 17,301 plots of new land during 2017 across 84 separate locations, of which 8,296 plots were converted from our strategic land portfolio in 28 locations. Since the launch of the Group's strategy in 2012, we have successfully converted c. 47,000 plots from our strategic land portfolio and invested in a further c. 9,400 acres of strategic land. At 31 December 2017, of the plots owned in our consented land bank together with the plots under our control, c. 51% were previously within the Group's strategic land portfolio.

The Group's land bank strength allows us to serve our markets best by continuing to invest in the right land at the right time. Our growth in new home construction of over 70% since the launch of the Group's new strategy in 2012 has been enabled by the substantial investment in new land over the last six years, the Group having acquired c. 116,000 plots of land whilst spending c. £3.2bn. We will remain disciplined in retaining the required level of liquidity to support the delivery of the housing numbers and associated infrastructure for the local communities we serve. This liquidity will be essential to support the promotion and successful conversion of our strategic land into active selling outlets over the next few years.

- ***Returns***

  The Group's return on equity for 2017 increased by 10% to 26.5% (2016: 24.1%). The 26% increase in post tax profit in the year was generated from average shareholders' equity value which increased by just 14% reflecting the capital discipline at the heart of the Group's strategy reinforced by the Capital Return Plan.

  Persimmon's return on average capital employed* ("ROACE") for 2017 of 51.5% improved by 31% from 39.4% in 2016. This further improvement in return on capital was supported by the 14% growth in underlying operating margin** to 28.2% (from 24.8% in 2016). Underlying operating profit** for the year increased by 24% to £966.1m (2016: £778.5m). The increase in underlying operating profit was delivered from average capital employed that was 5% lower than last year at £1.88bn.

  The Group's underlying margins have continued to benefit from the lower level of land cost recoveries on new home legal completions in the year. This continues to demonstrate the quality of the new land replacement achieved over recent years which has embedded further high quality returns in the Group's forward land bank for the future.

  The Group continues to deliver industry leading asset turn with work in progress representing just 21% of 2017 revenues. Our intensive management of the Group's construction programmes to deliver the new homes reserved by our customers supports higher levels of capital efficiency and therefore shareholder returns.

  With our focus on the cash intensity of the business the Group has continued to deliver strong liquidity. The free cash generated by the business before capital return and before land creditor movement was £804.1m, or 261 pence per share (2016: £711.3m, or 231 pence per share). Since the launch of the new strategy the Group has generated over £2.77bn, or c. 902 pence per share, of free cash before capital returns.

- ***Surplus capital***

  A key feature of the Group's strategy is exercising a disciplined approach to managing the capital employed in the business whilst mitigating financial risk through the cycle. The Group's working capital cycle and reinvestment needs are primary considerations in this assessment. Liquidity generated beyond this level is properly considered surplus to these core requirements. The Board monitors the ability of the Group to pay dividends out of available cash and distributable profits and reviews the application of surplus capital to address other corporate capital matters, including the assessment of the Capital Return Plan. As explained in the Statement of the Acting Chairman, the Directors are further increasing the Capital Return Plan with a payment of £1.25 per share, or c. £390m, each year for the next three years to be paid in early April each year so as to return the Group's cash balances to more appropriate levels. This payment will be an interim dividend for the financial year with the scheduled capital return of £1.10 per share being recommended to shareholders for payment as a final dividend for the financial year. The total value of the Capital Return Plan to 2021 is now £13.00 per share, 110% higher than the initial commitment made by the Board in 2012.

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

Original Plan	New Plan	Original Plan Pence Per Share	New Plan Pence Per Share
28 June 2013	28 June 2013	75 paid	75 paid
	4 July 2014	-	70 paid
30 June 2015	2 April 2015	95 paid	95 paid
	1 April 2016	-	110 paid
	31 March 2017	-	25 paid
30 June 2017	3 July 2017	110 paid	110 paid
	29 March 2018 2 July 2018	- -	125 110
30 June 2019	3 April 2019 5 July 2019	- 110	125* 110*
30 June 2020	2 April 2020 6 July 2020	- 115	125* 110*
30 June 2021	6 July 2021	115	110*
Total		620	1300

* current anticipated profile of payments

In addition, in line with the Board's assessment and normal practice, it has decided to net settle the 40% of the 2012 LTIP share options that vested on 31 December 2017. As explained in Note 9 to this announcement this is currently estimated to reduce the number of shares to be issued by the Company to c. 4.0m (from c. 9.2m) whilst the Company will make payments to HMRC of c. £88m. The tax liability of the 2012 LTIP participants does not change through the adoption of net settling. We will continue to review the level of surplus capital generated by the Group in the context of market conditions and the performance of the business.

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

The UK housing market and brand performance

The UK housing market, seasonality and pricing

The new build housing market experienced robust site visitor numbers in 2017 as the industry was able to deliver a modest increase in active outlet numbers and continue the recovery in new home construction volumes. The market was supported by resilient consumer confidence and a competitive but disciplined mortgage market. When compared to the second-hand home market, which continues to experience constrained stock levels, the industry continues to gain market share by striving to provide increased availability of well-designed good quality homes for consumers to buy. The Group's commitment to meeting market demand was further demonstrated by the opening of a further new house building business in Mansfield near Nottingham on 2 January 2017 to support our desire to increase our output.

Sales activity in the first half of the year benefitted from a positive market backdrop assisted by firm consumer sentiment. This was supported by continued higher levels of employment within the UK economy and by interest rates remaining low. We experienced a confident spring sales market with the strength of the market building week by week from the start of the year in line with our expectations, despite mortgage approval volumes running c. 3% behind the levels seen in the first half of 2016. Whilst the result of the General Election on 8 June created heightened uncertainties the Group's average private sales rate for the first half of the year was c. 7% ahead of last year with the market taking the election in its stride. Throughout the first half we continued to focus on advancing our construction activities to help ensure the prompt delivery of our homes to customers.

The Group started the year with a strong forward sales position of £1.23bn, 12% ahead of the prior year. As a result of the healthy first half sales rate, this strong forward sales position and the drive to advance our build activity, we were able to increase the number of new homes legally completed in the first half of the year by 556 homes to 7,794 new homes, an 8% increase year on year. In addition, we were able to carry forward an 18% stronger forward sales position into the second half when compared to the prior year at £1.60bn (2016: £1.36bn). In the first half the Group's average selling price progressed by 3.6% to £213,262 (2016: £205,762) reflecting the firm market conditions.

We were pleased with our average private sales rates through the quieter summer weeks, which were 2% ahead year on year, recognising the stiffer benchmark of our stronger prior year comparatives supported by more robust market conditions than expected post the EU Referendum in late June 2016. Indeed, through the summer period we actively advanced our build progress on 25 sites prior to releasing for sale into the autumn season in September, to provide our customers with increased certainty of moving in dates. As always, we ensured we had an appropriate number of plots released for sale on existing sites to ensure customers had a good choice of house types available.

As expected, we experienced an uptick in customer activity as we moved into the autumn sales season from mid-September. We anticipated a more normal level of customer activity through this period than in the prior year when sales rates were supported by the cut in the Bank Rate to 0.25% on 4 August 2016, together with the introduction of a package of measures to support growth in the economy, including the Term Funding Scheme, after the Referendum result. Indeed, to ease some concern over affordability, in June 2017 the Bank of England's Financial Policy Committee increased the mortgage stress test that helps determine whether customers' mortgages are affordable on a sustainable basis. With consumer confidence remaining relatively consistent through the second half of the year, albeit at slightly lower levels, mortgage approvals weakened through the final quarter of 2017 leaving approvals for the second half in line with the prior year. The Bank of England increased the Bank Rate to 0.5% on 2 November, the first increase since July 2007, reversing the cut in August 2016. However, mortgage lenders currently remain keen to increase their market share. The Government's cut in stamp duty for first time buyers in the budget on 22 November 2017 should provide support to the market in 2018.

Given the strength of our comparatives, we were pleased with the Group's second half sales rate, being just c. 5% lower than last year. The Group's focus on driving our construction programmes forward enabled us to increase our new home legal completions in the second half by 4%, or 316 homes, to 8,249 new homes. Our forward sales at 31 December 2017 were 10% stronger at £1.36bn (2016: £1.23bn). The Group's average selling price for the second half of the year of £213,377 was 2.7% ahead of the prior year (2016: £207,680), leaving the full year average selling price of £213,321, 3.2% higher than 2016 (£206,765). This modest increase through the year reflected the performance of the Group's brands as discussed further below. We achieved an increase of 25% in the number of new homes sold to our housing association partners year on year, these sales accounting for 17% of the Group's total volumes for the year compared to 15% of total volumes in 2016.

The Group remains focused on delivering house types that appeal to customers across the range but with an emphasis on first time buyers and first time movers within the mix of homes offered for sale on our developments. The Government's confirmation of the funding of the existing Help to Buy scheme in October 2017 provided important visibility for the industry and the necessary confidence to continue to invest in land and development works. Affordability of newly built homes remains very attractive when compared to the cost of renting an equivalent house in a similar location.

Achieving a sustainable increase in new sales outlets which are able to commence construction as quickly as possible, together with securing the appropriate level of skilled labour and materials to support increased build activity, remain the industry's most pressing issues and continue to constrain output levels.

Despite the Group opening 197 new sales outlets during 2017, due to healthy sales rates our average total active outlet numbers remained at similar levels at c. 370 sites. Unfortunately, even after establishing the principle of residential development in a location, the process of securing a detailed implementable consent to commence construction activity remains challenging and time consuming. The revised National Planning Policy Framework is expected to be implemented in March 2018. This includes measures to ensure local planning authorities establish and maintain up to date plans identifying sufficient land to meet their housing needs for a five year period and will hopefully support more timely delivery. Hopefully this will ensure that sufficient land supply is delivered in the places that have the greatest need for new homes. We will continue to work with all stakeholders to try to identify further opportunities to improve the efficiency of the planning system at the local level which will allow an earlier start of construction activity on site. Further increases in the number of sites that achieve residential planning consent will aid the industry in expanding the overall numbers of new homes constructed.

The substantial expansion of the Group's output over recent years demonstrates our commitment to increase the Group's rate of new home construction. We have made further progress in growing the skill base required to support higher sustainable levels of activity by increasing our investment in training both trade apprentices in the necessary site skills and graduate trainees across all disciplines in the business. Our "Combat to Construction" initiative, which provides re-training opportunities for service personnel on leaving the armed forces, and our complementary "Upskill to Construction" initiative which supports mature trainees to gain the required construction skills, are working well. The new Apprenticeship Levy was introduced in April 2017. The Group is focused on harnessing this funding to provide additional strength to our skills training initiatives. We are working with the CITB and the Home Building Skills Partnership to design apprenticeship standards which address the specific needs of modern construction methods which are approved under the Apprenticeship Levy regime.

Improvements in site productivity to support increases in construction output and to secure greater efficiencies remain a key focus for the Group. Work-flow management tools are being rolled out across our business which are designed to capture productivity benefits on site. We are progressively rolling-out the use of our core Group house types across the UK which is helping to secure increased production, especially when combined with our Space4 modern method of construction. System and process improvements have created improved visibility of anticipated build completion dates which is assisting greater precision in the timing of delivery of new homes to our customers. In addition, these improvements are assisting more proactive site resourcing and management of construction programmes which further assists our progress on site.

The Government's Help to Buy shared equity loan scheme continues to attract first time buyers across all regional new build housing markets. Mortgage lenders remain keen to support customers who choose to use this loan scheme with very competitive interest rates. The lenders' Help to Buy mortgage products offer the most attractive opportunity for customers to buy a new home. During 2017 we sold 7,682 new homes to customers who have secured a Help to Buy mortgage with 6,525 new homes sold in England, and 1,157 in Wales and Scotland.

The Group's two private sales brands, Persimmon and Charles Church, traded well during 2017.

Persimmon

The delivery of traditional family housing to the private owner occupier market remains the focus of the Persimmon brand. Total revenues for Persimmon of £2,474m increased by 10% over last year (2016: £2,242m).

This revenue growth was driven by a 5% increase in legal completion volumes to 11,489 new homes (2016: 10,906). The increase in legal completion volumes reflects the Group's ability to increase build rates through the use of our core Group house types, our modern method of construction system, Space4, and the detailed management of construction programmes. The Group's focus remains on providing a choice of desirable new homes at affordable prices with an emphasis on the first time buyer and first time mover segments of the market.

The Group's continued commitment to provide a choice of new homes at affordable prices across our UK wide site network is reflected in the lower level of Persimmon's average selling price of £215,336 (2016: £205,597). For the Group as a whole, just under 45% of our total private sales were delivered at prices of less than £200,000.

In our southern regional markets the Persimmon brand secured 42% of its legal completions and generated 49% of revenues with an average selling price for the year of £250,228 (2016: £243,858). The highest average selling price for Persimmon at £287,713 (2016: £279,923) was achieved in our Southern markets, with higher value sites at Downs View, Swanley near Dartford and Manor Park, Ashford in Kent generating good volumes. The lowest average selling price for the year at £173,786 (2016: £171,103) was delivered in the Wales regional market where sites at North Haven, Barry in the Vale of Glamorgan and Cwrt y Llwyfen, Carmarthen in south west Wales generated high volumes of new homes to first time buyers at lower price points. For Persimmon, the average selling price achieved in our northern regional markets was £190,037 (2016: £176,890).

The 5% year on year increase in legal completion volumes for the Persimmon brand (an increase of 583 new homes) resulted from a 2% (96 new homes) increase in second half year on year volumes which followed the 9% (487 new homes) increase in first half volumes over the previous year. The more muted second half growth is largely due to the strong comparatives for 2016, following the EU referendum and the strong recovery in customer demand thereafter. Persimmon's sales rates throughout the second half of 2017 reflected a confident market.

Persimmon's highest volumes were achieved in our Midlands and Shires regional markets with 1,758 and 1,587 new homes delivered respectively. The Scotland and North East regional markets also performed well during the year with both delivering over 1,250 new homes to our customers. Good contributions to legal completion volumes have been achieved from all five of the new businesses that opened since the start of 2015, with the new Nottingham business which opened on 2 January 2017 delivering 317 new Persimmon homes in the year.

The land market continued to provide some excellent opportunities to acquire new sites through 2017. These sites have been acquired at compelling levels of return. The Group maintained its substantial investment in new land throughout the year whilst remaining cautious given the risks and uncertainties generated by the headwinds confronting the UK economy, in particular those relating to the process of the UK leaving the EU. Given the strength of the existing land bank the Group will remain selective in its land replacement activities moving forward.

During 2017, Persimmon acquired 13,518 new plots of land resulting in a forward consented land bank at the end of 2017 of 68,411 plots (2016: 66,382). Of these total plots, 37,867 plots have an implementable detailed residential planning consent (2016: 36,855) with all sites under construction. At 2017 output levels the current land bank represents c. 3.3 years of forward supply.

Persimmon also enjoyed further success in securing planning consents for residential development from its strategic land portfolio. During the year, 5,924 plots, across 26 sites, were delivered into its owned and under control land bank representing 52% of the plots consumed by legal completions in the year. Notable strategic land conversions were achieved at Redditch in Worcestershire for 296 new homes, including a Westbury Partnerships allocation of 89 plots, and for 132 new Persimmon and 56 Westbury Partnerships homes at Berkley in Somerset.

Our joint developments with St Modwen continue to progress with 107 new homes sold during 2017 across the six active sites under construction.

Charles Church

The Charles Church brand is designed to complement Persimmon by offering the customer a choice of executive housing in premium locations across the UK, differentiating itself from the Persimmon product through larger house types and increased specifications. With this market positioning Charles Church has retained its focus on delivering higher value new homes and maintained active sales outlets at 74 sites at the end of 2017 in line with last year. Total Charles Church revenues for 2017 of £627m were 5% lower than the previous year (2016: £657m) with legal completions for the year 262 units lower at 1,785 (2016: 2,047). Charles Church legal completions were balanced across both halves of the year, with 900 new homes delivered in the first half and 885 in the second half.

The Charles Church average selling price increased 9.3% to £351,218 (2016: £321,209), with 57% (2016: 55%) of its sales being completed in more southern markets. Strong demand and pricing were experienced on sites at The Birches, Castle Hill near Ebbsfleet and Chancery Park, Exning in Suffolk.

The Group continues to offer both Persimmon and Charles Church branding on larger sites where appropriate. This creates the opportunity for the Group to secure the benefits of more efficient site operations resulting in performance improvements being captured across the business including continuity of build programmes, site resourcing and customer care performance through to health and safety compliance. By attracting a wider range of the home buying public through dual branding sites the Group is able to optimise sales rates and achieve a swifter asset turn. We have experienced strong sales performance during 2017 from the dual branded sites at Wymondham near Norwich and Ingleby Barwick in County Durham and have recently established dual branding with two new sales offices at Towcester, south of Northampton where we plan to sell 201 Persimmon homes and 78 Charles Church homes and similarly at Sherburn in Elmet near Leeds where 22 Charles Church homes are available on the latest development phase.

Charles Church owned and controlled 11,191 plots in its forward consented land bank at the end of 2017 (2016: 11,805). Of these total plots 5,774 have an implementable planning consent (2016: 6,720) providing c. 3.2 years of forward supply at 2017 sales volumes. This is in line with the Group's operational strategy for Charles Church where a shorter land bank allows the business to deliver a strong return on capital employed whilst allowing for a slower sales rate typically associated with a larger and more highly specified product. During the year 1,171 new plots were acquired by Charles Church.

During 2017 the Charles Church business converted 844 plots, across 6 sites, from the strategic land portfolio representing 47% of 2017 legal completions. Superior returns will be delivered from these sites as we begin development and achieve legal completions over future periods. Examples of successful strategic land conversion include 108 new Charles Church homes and 72 Westbury Partnerships homes at Burnham-on-Crouch in Essex and at Flockton, West Yorkshire for 37 private plots and 9 for sale to our housing association partners.

Westbury Partnerships

The provision of social housing as part of the Group's development activity continues to be very important in supporting sustainable local communities. The Group's partnership housing business, Westbury Partnerships, delivered 2,769 new homes to our housing association partners during 2017, an increase of 25% when compared to the previous year (2016: 2,218). In total this represented 17% of total legal completions for the Group during 2017 (2016: 15%). The average selling price for these homes increased 8.6% to £116,068 (2016: £106,889).

The Group delivered 62% of Westbury Partnerships' new homes in our southern regional market (2016: 65%). We are keen to continue delivering affordable housing to all our housing association partners across the whole of the UK. The Group will seek to further develop these strong relationships in order to support as many lower income families as possible to access the housing market in line with the aims of the National Planning Policy Framework. By working with each of our housing association partners at an early stage in the planning process we are able to identify the mix of house types and tenure, and timing of delivery of these new homes required to achieve socially sustainable communities. At 31 December 2017 we had c. 3,900 affordable housing units forward sold in our order book providing a strong platform for future delivery into local communities.

We will continue to work closely with local authorities to support housing delivery which works for all, a key feature of the Government's recent Housing White Paper, which looks to expand the choice of tenure types and increase the availability of affordable new homes to low income families and renters. Initiatives such as Discounted Market Sales Housing and Affordable Private Rent Housing will form key areas of industry discussions with local authorities and affordable housing provider partners to provide local communities with the new homes they need.

Westbury Partnerships maintains a strong relationship with Homes England (successor to the Homes & Communities Agency, launched in January 2018) in England and the Housing Agencies in Scotland and Wales, and is actively involved in managing our relationships associated with the Help to Buy equity loan scheme in England and the similar schemes in Scotland and Wales. These schemes continue to provide greater access to customers wishing to take their first step into the housing market. During 2017 the Group delivered 7,682 new homes to customers who elected to use this Government sponsored scheme.

The Government continues to support the delivery of increased affordable housing on public land through the Delivery Partner Panel ("DPP"). The DPP2 framework which ended in March 2017 was replaced by the DPP3 framework which will run from March 2017 for 3 years. Whilst the Group was unsuccessful in tenders for DPP3 we will continue to explore opportunities for partnering with local authorities and other Government agencies in bringing land into development for the delivery of further growth in new home construction.

Off-site manufacturing

The housebuilding industry in the UK has continued to experience a significantly constrained supply of both skilled tradespeople and some key materials. The Group has taken action to help solve these issues by the development of our off-site manufacturing capability.

Space4

Homes England are focused on meeting the demand for new housing through the increased use of modern methods of construction, primarily modular build and timber frame.

The Group's Space4 business based in Castle Bromwich near Birmingham 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. The construction process using this system delivers high levels of thermal efficiency for the new homes built and positions the Group at the forefront of the industry with the ability to accommodate changes to building regulations that target to reduce carbon emissions and global warming in the future.

The Space4 system has supported the Group to deliver an increased number of core house types over a shorter build period. During 2017 the Group's housebuilding businesses increased their use of the Space4 system, with volumes of timber frame house kits and insulated roof systems increasing by 17% to over 6,450. Since its launch in 2001, the Space4 system has delivered over 46,000 new homes to the market and has made an important contribution to the Group's volume growth and industry leading asset turn of c. 4.7x in 2017.

We continue to investigate the further development of the Space4 build process and seek to take advantage of the Space4 system through 2018 as we look to expand production, securing benefits for the business through greater efficiencies, improved overhead recoveries and reduced unit costs. The use of the Space4 construction process continues to help improve site productivity, increase build capacity and ease resourcing pressures faced by reducing the traditional skills content required within the process.

The Space4 factory has the capacity to increase production to support the construction of around 8,000 new homes each year. Indeed, we continue to review the opportunity to extend this capability with the growth in the Group's output and to achieve wider coverage across the UK.

Brickworks

In 2016, after completing detailed due diligence, the Group started construction of its own factory to manufacture concrete bricks. During 2017, this construction was finished and by the end of the year the factory was commissioned with the commencement of deliveries of bricks to the Group's house building operations, underpinning the Group's ability to increase house building volumes. The factory, sited at Harworth near Doncaster, has good access to the motorway network supporting efficient logistics for delivery to Group operations and securing the availability of a key material component for our build process. The plant and manufacturing process is highly automated and is very durable with low maintenance requirements.

Brickworks is a further development of the Group's offsite manufacturing capability, delivering a consistently high quality product and will be solely focused on supplying bricks to the Group's house building operations, with capacity to manufacture c. 80 million bricks each year, approximately two thirds of the Group's current requirement. Our manufacturing process has strong environmental credentials due to the significant reduction in energy usage compared to more traditional brick manufacturing methods.

Tileworks

After extensive review we have taken the decision to manufacture our own roof tiles to provide improved supply. During 2018 we will establish a new roof tile manufacturing facility based at our manufacturing hub in Harworth, Doncaster. It is intended that the facility will supply the Group with concrete roof tiles across our standard house type range with a similar approach to Brickworks.

Profitability

As a result of further operational gains and robust land investment the Group has secured a 340 basis point increase in underlying operating margin** to 28.2% (2016: 24.8%) for the full year. In line with our expectations, margin progress through the second half was maintained with a margin of 28.8% in the second six months (2016: 25.7%), compared to margins in the first half of 2017 of 27.6% (2016: 23.8%).

The Group continues to face challenges in achieving detailed planning consents and making a start on new sites. To mitigate these risks, over recent years we have increased our investment in the Group's capabilities to optimise the development plans for each new land parcel that we acquire. The diligence of our land and planning teams is a key ingredient in achieving the most appropriate planning consents reflecting local communities housing needs. We remain focused on opening up new sales outlets as promptly as possible. During the year 197 new sales outlets were opened (2016: 255 new sales outlets) and this has resulted in maintaining lower land cost recoveries, securing an additional 30 basis point contribution to the Group's gross margin year on year. For 2017 the value of the Group's land recoveries totalled 16.1% of sales, down from 16.4% in 2016. This improvement reflects the quality of the land we have acquired across the whole of the UK over recent years.

As we secure new planning consents and open new sales outlets we increase the coverage of the Group's core house types across all of our regional markets. This allows us to leverage further benefits from consolidated procurement and site construction activities. Operational focus remains on improving our build programme management to capture productivity gains and our site management teams, suppliers, site workers and sub-contractors have all worked extremely hard to deliver these gains during 2017. As a result we have driven a further reduction in our build and direct costs of 320 basis points to 52.6% of sales (2016: 55.8% of sales).

Having opened our new Nottingham business at the start of 2017, and our sixth new business in three years near Ipswich in Suffolk, on 2 January 2018, we continue to invest in our management teams, processes and systems to ensure sustainable growth for the Group is achieved. Given this investment and the increase in output volume in 2017, the Group's operating expense efficiency has remained in line with the previous year.

Cash generation, net finance income and financial assets

Strong cash generation through the housing cycle is at the core of the Group's long term strategy. This will be delivered by maximising the cash efficiency of our operational activities together with exercising capital discipline whilst minimising financial risk through the cycle. The Group held cash balances at 31 December 2017 of £1,303m (2016: £913m) after generating £806m of free cash before capital returns during 2017, or 261 pence per share (2016: £681m, 221 pence per share).

The disciplined reinvestment of free cash generated remains a key strategic priority for the Group. Actual and prospective conditions in the sales and land markets will influence the level of reinvestment over the housing cycle. Market conditions, during 2017, have allowed further significant investment in work in progress to meet the demand from customers. However, we remain mindful of the risks and uncertainties to the UK economy and UK housing market that surround the ongoing process of the UK leaving the EU. The cash efficiency of our land replacement activities, expansion of our cash margins and our superior asset turn, have allowed us to invest in substantial new land holdings at a rate of c. 108% of 2017 consumption.

The Group has continued to take advantage of a supportive land market and has successfully acquired a number of attractive investment opportunities with deferred payment terms during the year. As a result the Group has extended its deferred land creditor obligations modestly to £567m at the year end (2016: £555m). This has allowed the growth of the business to be supported from operational cash flows, prior to working capital requirements, without reducing the cash resources available to shareholders. Cash inflow from operations, before working capital requirements, totalled £997m in 2017 (2016: £800m).

Following strong cash inflows from customers the carrying value of the Group's outstanding shared equity loans, reported as "Available for sale financial assets", has reduced during the year by £32m to £117m (2016: £149m). The carrying value of these receivables has been reviewed by the Board which has concluded that the value is appropriate.

Net finance income for the year was £11.0m (2016: £4.3m). Included within this is £15.2m of imputed interest generated on the Group's shared equity receivables (2016: £15.9m) and £10.2m of imputed interest payable on land creditors (2016: £12.0m).

The delivery of the Capital Return Plan depends upon the cash efficiency of our business processes along with strong capital discipline. We remain confident that our current operational approach will support the execution of our long term strategy and is reflected in the 31% increase in the rate of return on average capital employed* in the business to

51.5% (2016: 39.4%). The significant increase in the Capital Return Plan demonstrates the Board's ongoing confidence.

Land and construction

Disciplined investment in new land opportunities at the appropriate point in the housing market cycle and at attractive values is critical to sustaining superior shareholder value creation over the longer term.

This shareholder value is created by securing high quality returns from acquiring high quality replacement land and is a key focus of each of our 30 regional house building operations. We continue to invest in the Group's land and planning teams across the UK, enhancing the skills and expertise of these regional teams. Significant value is created through the identification of compelling land acquisition opportunities in the short term land market and for strategic land investment and by optimising our development schemes and by bringing them into production as promptly as possible. The strong profits and cash generated by the business serve to confirm the quality of the land investments made by the Group together with the expertise of the management team.

Our strategy remains to adjust the Group's forward owned and controlled land bank to reflect prevailing and prospective conditions in the sales and land markets judged in the context of the evaluation of the near term, and longer term, outlook. The anticipated future growth of the business and further disciplined investment in replacement land will continue to secure the required capital efficiency of our land holdings.

During the year 17,301 new plots of land were acquired. At the year end the Group owned 77,067 plots of land. Of these owned plots, 52,585 had an implementable detailed planning consent providing c. 3.3 years of forward supply at 2017 output volumes. These plots will provide support to each of our regional operations as they seek to achieve a sustainable market share. Our land and planning teams continue to work hard to secure implementable consents on the remaining plots.

The Group has also entered into conditional contracts for an additional 21,378 plots which we are actively promoting through the planning system.

The carrying value of the Group's land assets at 31 December 2017 was £2,011m, £65m higher than the prior year (2016: £1,946m).

Investment in strategic land and its successful promotion through the planning system is a key driver of the success of our business model. In 2017 we acquired interests in a further c. 920 acres of strategic land and we converted 8,296 plots of land from our strategic land portfolio, representing c. 52% of the Group's land consumption.

The consistent application of the National Planning Policy Framework through 2017 has ensured that improvements in land availability continued, underpinning the industry's confidence to invest further in the land and work in progress required to support an increase in the supply of new homes. We are focused on delivering these high quality sustainable development opportunities, fulfilling all specific planning requirements to enable the Group to achieve a detailed implementable planning consent as quickly as possible. We are confident that our strategic land portfolio of c. 16,100 acres will, in due course, yield in excess of 100,000 forward plots for future development by the Group and will provide local communities with the opportunity to meet their housing needs.

The carrying value of our work in progress at 31 December 2017 of £724m was £107m higher than the prior year (2016: £617m). The Group continues to focus on improving build programmes and investing in infrastructure on opening new sites, supporting the prompt and efficient delivery of new homes across all sites where we have an implementable detailed planning consent.

The Group entered 2018 with a strong work in progress position which will provide support to our construction programmes on our existing sites. The Group's investment in work in progress at the year end represented 21% of 2017 sales, an industry leading asset turn. The Board expect substantial additional investment will be made in work in progress during 2018, supporting the Group's future growth, and we will continue to convert our work in progress as swiftly as possible over future periods to minimise operational and financial risks.

Using consistent principles to prior years the Board has reviewed the net realisable value of land and work in progress at 31 December 2017. The Board concluded that the carrying value of land and work in progress was appropriate. At the year end the Group retained an impairment provision of £41.9m (2016: £48.5m) which is considered adequate to address the potential impact of current market uncertainties on future revenue and direct costs for the relevant sites.

Shareholders' equity, treasury policy and related risks

Delivering sustainable shareholder value over the long term and returning surplus capital to shareholders are key priorities for the Group. Our long term strategy is based upon the disciplined investment of capital in land and work in progress at the appropriate points in the housing cycle. This supports the development of the business over the longer term whilst securing a strong financial position to mitigate the financial risks associated with the housing cycle.

The Board's commitment to exercise capital discipline through the housing cycle and return surplus capital to shareholders was reflected in the Director's decision on 24 February 2017 to increase the Capital Return Plan to £9.25 per share, c. £2.85bn, a 49% increase over the original Capital Return Plan. This has been reinforced further with the announcement today that the Board has increased the Capital Return Plan to c. £4.1bn, or £13.00 per share.

Further instalments under the Capital Return Plan of £77m, or 25 pence per share, and £1.10 per share, or £339m, were paid as dividends for the 2016 financial year, to shareholders on 31 March 2017 and 3 July 2017 respectively.

The Group's total retained profits after tax for the year were 26% higher than last year at £786.9m (2016: £625.3m). The Group's retained earnings were added to by an after tax remeasurement gain of £18.4m associated with the Group's pension scheme asset of £67.7m and by share based payments of £72.5m.

The Group's total net asset value for the year ended 31 December 2017 increased 17%, or £465m, to £3,202m (2016: £2,737m). Net assets per share increased over the prior year by 17% to 1,036.6 pence (2016: 887.3 pence) and cash balances held at the year end increased by £390m and totalled £1,303m (2016: £913m).

We continue to focus on generating strong liquidity. The Group maintains revolving credit facilities which will only be used to support short term seasonal working capital needs of the business. The operational plans of the Group will be delivered by the generation of strong annual after tax earnings, management of the Group's equity, debt and cash management facilities, together with changes to planned shareholder capital returns. This approach will mitigate the financial risks the Group faces which include credit risk, liquidity risk, interest rate volatility and debt capital market pricing risk.

The Group maintains a £300m Revolving Credit Facility with its five relationship banks. During the year the Group extended the maturity of the revolving credit facility to 31 March 2022.

Corporate Responsibility

The Board is accountable for the governance of the Group's corporate responsibilities and sets the structure for their effective management. The Board sets the Group's sustainability strategy as part of its overall business strategy. Our Corporate Responsibility (CR) Committee is responsible for reviewing, monitoring and evaluating sustainability performance within our business and for providing feedback and suggestions to the Board. CR Committee membership is drawn from all parts of the Group's operations. This helps to maintain clear alignment with the Group's strategy and also helps the effective communication of our sustainability strategy.

Our Sustainability Policy outlines five key principles relating to 'Our Customers', 'Our People', 'Our Wellbeing', 'Our Environment' and 'Our Communities'. These principles help us to ensure our business is responsible and sustainable. Detailed information on our approach to Corporate Responsibility, including our progress in 2017, objectives for 2018 and our stakeholder engagement matrix can be found in our 2017 Sustainability Report available at www.persimmonhomes.com/corporate.

Our Customers

We aim to help to address housing need by building a range of homes to suit different customers in locations across the UK. We focus on offering new homes for our customers at lower price points providing a comprehensive range of selling prices, with an emphasis on first time buyers and first time movers. Indeed, our average selling price during 2017 was £213,321 with just under 45% of our private sales being delivered at prices below £200,000. The market average UK house price was c. £227,000 in December 2017***. The Government's Help to Buy shared equity loan scheme is continuing to enable greater access to the owner occupier market, principally for first time buyers, by supporting the purchase of a newly built home with a 5% deposit. In October 2017 the Government announced a further £10bn of funding for this scheme. Mortgage lenders are also keen to support these customers and offer the most favourable interest rates on loans associated with this scheme. During the year we sold 7,682 new homes to customers who secured a Help to Buy mortgage. The recent cut in stamp duty by the Government in November 2017 may also provide support for first time buyers to enter the market.

Delivering good quality new homes with a high standard of customer service is a priority for the Group. We focused on three areas in 2017 which were; to maintain high build quality with the increase in production; to improve the service we deliver to customers in the month after they move into their new home and to continue to improve communications regarding the date a customer's new home will be ready.

Although we have increased our build numbers significantly in recent years, our quality control procedures and increased use of standard house types have helped to maintain our build quality. In addition, we have improved our processes and systems to identify report and monitor the resolution of any remaining issues in the few weeks after a customer takes possession of their new home. We monitor how quickly any issues are dealt with and we have introduced an escalation policy for any matters not resolved within required timescales. This provides management greater visibility of the service we are providing to our customers. In response to feedback from our customers, we have introduced maintenance appointments at weekends and “out of hours” opening of customer care departments.

As customers often reserve their new home many months before it is completed, one particular area of importance is having an accurate move-in date. We have continued to improve our communications to customers on the expected completion date of their property, in order that they are better able to plan for their move.

Our customer care initiatives have resulted in continued improvement in our rating scores in the HBF National New Homes Customer Satisfaction Survey. Our score in relation to the question ‘Would you recommend Persimmon to a friend?’ has increased to 79.1% for 2017 (2016: 74.6%). This is just below the 80% required for the HBF to rate us a four star builder. We will continue to focus on improving our customer care during 2018. Customer care performance conditions will continue to be included in performance related pay for relevant employees aligning their interests with this focus on customer care.

During 2018 we will remain focused on continuing to deliver tangible improvements in our customer satisfaction ratings in particular by focusing on site staff induction training to cover all customer care processes and continuing to offer a more flexible service to customers.

Our People

It is important to the success of our strategy that we have a highly skilled and diverse workforce. The right skills to buy land, plan our developments, build quality homes and provide good service to our customers are essential. Our merit-based culture is an important part of the Group’s growth and success as it supports the wellbeing and career aspirations of our workforce and rewards them for the Group’s success.

A major challenge for the Group remains ensuring we have a steady and stable supply of skilled labour to support the delivery of our new homes. The tight labour market for housebuilding skills is experienced across the industry. We continue to invest in systems and processes to build the skills base of the business.

Our workforce has continued to grow to support the expansion in the number of homes we build. The Group employed 4,713 employees at 31 December 2017 (2016: 4,483). Our strengthened selection, engagement, induction and training processes provide opportunities for all our staff to fulfil their responsibilities to the best of their ability. Persimmon has a long established tradition of promoting from within the business wherever possible and our growth has provided opportunities for a number of our staff to take on greater responsibilities and develop their career with us.

We are continuing our commitment to graduate, trainee and apprentice recruitment which has been augmented this year by recruitment of diploma students from colleges, some of whom joined us as part of our commitment to the Home Building Skills Partnership (see below), enabling us to maintain our supply of new skilled talent onto our sites. We have also engaged a number of Apprentice Masters in many of our operating businesses to provide on-site guidance and training to our new recruits to enable them to make a smooth transition from college to the working environment. The Group currently employs c. 580 trainees and apprentices. Combat to Construction, our initiative to utilise the skills and knowledge of former members of the UK’s armed forces continues to develop. We currently have 127 employees on the Combat to Construction programme, of which 73 have successfully completed their training. The quality of the Combat to Construction programme and the career opportunities we are able to offer continue to be recognised by the Ministry of Defence and in 2017 we were re-awarded with the ERS Silver Award.

The Group is committed to playing a full and active role in the Home Building Skills Partnership, a joint initiative between the Construction Industry Training Board (CITB) and the Home Builders Federation which aims to train over 40,000 new tradespeople by 2019 to help address the skills shortage that presents such a key challenge to expanding output by the industry. In 2017 we became a signatory to the Home Building Skills Pledge, which contains specific commitments relating to industry collaboration, training standards, diversity and inclusion and promoting careers in the sector.

We believe that all employees and subcontractors can perform to their full potential with the right support and training. We have maintained our training commitment for our workforce across all disciplines in our business, including IT, health and safety and sales. We provided over 10,600 training days (excluding apprenticeships) to employees and our construction workforce in 2017 (2016: c. 10,500) an average of 2.3 days per employee (2016: 2.3).

We consider that a diverse work force will support the delivery of the Group’s strategy. As at 31 December 2017 we employed 4,713 people, 25% of which were female (2016: 4,483, of which 25% were female). We had two female and six male directors on the Company’s Board and 19 female colleagues in our 144 strong senior management team. In 2017 the Group was reaccredited by Innovatec AS at the Silver Level for our approach to equality, diversity and inclusion in Employment and Customer Service.

We demand the appropriate levels of conduct from all of our stakeholders, including our employees in all of our operations. 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 and modern slavery 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. During 2017 we reviewed our Modern Slavery Risk Assessment and considered that further interrogation of our supply chain was appropriate. We are conducting a supplier due diligence survey to further improve awareness within our supply partners.

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.

Staff are given details of the Group's Anti-Bribery policy and management reinforce the adherence to our policies and procedures. In addition we have whistleblowing facilities to ensure employees and others can raise concerns confidentially.

Our Wellbeing

The wellbeing, including health and safety of our employees, supply chain workforce, and others, including customers who are affected by our work activities is a top operational priority for the Group.

The Board ensures that the investment in Group Health and Safety resources, devoted to ensuring our development sites and offices remain safe and healthy environments, is appropriate to support Operational Management at Group, Regional and Operating Business level. The Health and Safety team under the direction of our Group Health and Safety Director 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 planning of construction activities as our sites progress is undertaken by our management as they strive to achieve and maintain high levels of health and safety performance. This includes confirming the competency levels of individuals through the Construction Skills Certification Scheme and organisations via the Safety Schemes in Procurement.

The Group Health and Safety Policy provides additional guidance for our management teams and in 2017 a particular focus was on improving the sharing of best practice across the Group with the aim of ensuring the requirements of this guidance are uniformly applied across our sites at each stage of the construction process. This was achieved by the delivery of both Senior Management briefings and "Effective Leadership and Management" Training for Operating Business Project Managers to enhance their skills to plan, manage, monitor and review health and safety issues.

In addition, the presentation of site inspection findings was enhanced during 2017 to enable our Operational Management to better interrogate specific health and safety KPI performance criteria and improve monitoring and review of health and safety issues.

During 2017 we reported 49 construction work related incidents in our housebuilding operations to the Health and Safety Executive under the Reporting of Incidents Diseases and Dangerous Occurrences Regulations (RIDDOR). This was 2 more than the previous year (2016: 47) however due to the increase in production we improved the level of build per RIDDOR, completing 330 legal completions per RIDDOR (2016: 327). The RIDDORs per thousand workers remained similar to last year at 3.62 accidents per thousand workers (2016: 3.59).

Our Environment

We are committed to managing the direct and indirect impacts that our operations and new homes have on the environment. We identify all major environmental risks that we face 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. Further information can be found in our policies, including our Environment Policy, Waste and Resource Management Policy and Climate Change Position Statement which are available on our corporate website at www.persimmonhomes.com/corporate.

We monitor our own operational efficiency and direct environmental impact in a number of ways including measuring our greenhouse gas emissions (CO_2e) and the amount of waste that we generate and recycle for each home we build. Last year we set ourselves a target to reduce the intensity of our carbon emissions by 10% from 2016 to 2025. The target excludes our brick manufacturing plant as it was not operational in 2016. We have collated data captured across the Group and from our suppliers to identify the amount of energy used in our own operations in 2017. We have then used DEFRA environmental reporting guidelines and emission factors from DEFRA's Greenhouse Gas Conversion Factors Repository as a methodology for calculating our emissions. A summary is set out in the table below:

Greenhouse Gas Emissions (tonnes CO_2e)	**2017**	**2016**
Scope1 emissions from gas, transport and construction site fuel use	26,870	28,047
Scope 2 emissions from electricity use	3,960	4,552
Total greenhouse gas emissions	30,830	32,599
Greenhouse gas emissions per home sold	1.92	2.15

The amount of CO_2e per home sold in 2017 represents a c.10% decrease on the prior year and we have therefore already achieved our carbon reduction target. There are a number of factors which have contributed to this result including a c.13% reduction in the purchase of diesel by the company, in part due to a reduction in the number of employees electing to use a company fuel card. In addition, there has been a c.1% decrease in red diesel consumption on site which has been achieved through the use of more efficient and appropriately sized plant. These reductions, together with a 15% reduction in the emissions conversion factor for grid electricity have reduced the intensity of our emissions.

We will continue to monitor our energy use with the aim of pursing actions to reduce our energy costs and minimise consumption where possible. Given that our carbon reduction target has been achieved far quicker than we originally anticipated and partly through measures which are beyond our control we have reset our target to reduce the intensity of our carbon emissions by 10% from 2017 to 2026, on a like for like basis.

In 2017, we again participated in the CDP, formerly the Carbon Disclosure Project, climate survey and our rating improved to C (Awareness) from D (Disclosure) in 2016. This survey requests information on climate risks and low carbon opportunities from the world's largest companies. By sharing information in this way we aim to demonstrate 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.

During 2017 the percentage of waste we recycled remained broadly similar to 2016 at 92% (2016: 93%) thereby minimising the amount of waste sent to landfill despite the amount of waste per home built increasing to 7.25 tonnes (2016: 6.6 tonnes). We are investigating the key reasons for the rise in waste per home built with a view to identify further opportunities for reduction.

The most important indirect environmental impact of our development activities is the ongoing effect of our new homes. Our focus is to build new homes to high sustainability standards harnessing the benefits of good design, and improvements in materials and building techniques to deliver new homes with high sustainable qualities. We are particularly pleased that our new brickworks at Harworth near Doncaster has started to supply concrete bricks to the Group's operating businesses, underpinning our ability to increase housebuilding volumes. The plant is one of the most advanced in the UK with the potential to produce around 80m bricks each year, which is around two thirds of our current requirement. The manufacture of concrete bricks uses significantly less energy than the firing process of manufacturing clay brick, producing c.100 kg less CO_2e per tonne of bricks. Concrete bricks are also an absorber of CO_2e due to the re-carbonisation properties of concrete. This further reduces the net CO_2e emissions of the concrete brick over the course of its life.

The direct and indirect environmental benefits of Space4's timber frame build system are considerable. The highly insulated wall panels and roof cassettes have strong sustainability credentials which produce benefits for our customers including enhanced air tightness and acoustic performance and reduced energy costs. Using Space4's modern method of construction supports the delivery of an average energy efficiency for the Group's new homes as measured by the Standard Assessment Procedure ('SAP') of 83, which is around 40% more energy efficient than existing housing stock which has an average SAP rating of around 60.

In addition to the benefits for our customers there are additional benefits for the Group. The frame build system helps to achieve a more consistent build quality and a more streamlined construction process. This enables Space4 houses to be built over a reduced timeline compared to traditional brick and block houses and allows the Group's bricklaying resource to be more efficiently utilised. The process is also less susceptible to delays caused by adverse weather conditions and uses less heavy machinery helping us to reduce our greenhouse gas emissions.

Our Communities

We believe that close collaboration with planning authorities and engagement with local communities is intrinsic to the delivery of much needed new housing and the creation of successful and sustainable developments. By understanding local needs we can refine our plans and ensure the right mix of properties is constructed.

Our land replacement processes focus on acquiring new land in attractive locations where demand for homes is high. These sites give customers access to a full range of services and variety of house types aligned to local need. The Group's developments are designed to promote social inclusion, incorporating housing for families with a broad span of incomes. In 2017 we provided 2,769 homes, or £321m of housing, to housing associations and a further 236 homes or £27m of housing to private customers using Discounted Market Sales Housing. Discounted Market Sales Housing is sold at a discount of around 20-30% below the local market value. The discount stays with the property in perpetuity and these homes can only be purchased by customers who meet eligibility criteria established by local councils. We provided 3,005 homes, or £348m of affordable housing, for lower income families (2016: 2,448 houses or £262m).

Through the drive for excellence in planning and delivering our development plans we have the opportunity to create places where our customers want to live and work. We seek to engage the local community actively in the development and planning process, from consultation and feedback through the planning journey with continued communication of the development's progress.

We understand that the process of development and the consequences of investment decisions have a lasting effect upon local communities. The delivery of new homes comes with the responsibility of ensuring that the impact upon the lives of new and existing residents is understood and mitigated. Under the planning process, we invest in local communities in many forms, such as parks and public open space; education provision, community buildings and roads and other infrastructure, either through direct construction or through financial contributions to local authorities. During 2017 we contributed over £64m to local communities (2016: £65m) through planning contributions to local authorities. Of the money contributed over £20m related to education provision and £8 million related to affordable housing provision.

We have several thousand suppliers to our business all of which are assessed on a number of factors such as quality, cost, availability and sustainability credentials and all of which are expected to sign up to our Supplier Principles. Where possible we aim to source locally. We directly engage with our largest suppliers in order to collaborate for mutual benefit. Through our engagement we work with suppliers, particularly those with whom we have long term relationships, to develop more sustainable ways of trading, for example through fewer deliveries and less packaging.

We are pleased to report that the Persimmon Charitable Foundation made £748,842 of donations in 2017 to local community groups and good causes and to local sporting organisations. The Foundation continued our Community Champions initiative, which provides funding for numerous small charities and voluntary organisations at the heart of the communities we serve. This initiative is now well into its fourth year and since the beginning of the campaign we have made donations to c. 2,000 charities and local good causes in the communities we serve across the UK. Charities apply to the Persimmon Charitable Foundation (via our website www.persimmonhomes.com/charity) for funding support up to a value of £1,000 to match their own fundraising initiatives. Each of our operating businesses has the opportunity of supporting two applicants every month.

In addition, the Persimmon Charitable Foundation launched its Healthy Communities campaign in May 2017. Each of our operating businesses made a monthly donation of £750 to a local sports club or association particularly aimed at amateur sport for young people aged under 21. In January 2018, each business nominated three of the clubs who had applied for funding from launch to be chosen for the list of 30 finalists who will compete to receive a top prize of £200,000. The winner will be the organisation which receives the most votes from the general public. Two runners up will receive £50,000 each and the other finalists will receive £5,000 each. The winner will be announced in March 2018.

The Group made donations of £601,092 to the Persimmon Charitable Foundation during 2017 and £63,500 to other good causes.

Current trading outlook

We have made an encouraging start to 2018 with good levels of visitors to our development sites over the first eight weeks of the year with the usual strengthening in activity being evident. The level of interest on our Persimmon and Charles Church home-finder websites is strong. The market is benefiting from higher levels of employment and resilient consumer sentiment supported by interest rates which remain low. Our private sales reservation rate per site for the first eight weeks was 7% ahead of last year.

The encouraging start to the year together with the Group's performance through the 2017 autumn sales season has delivered a 7.5% year on year increase in current forward sales (including legal completions taken in 2018 to date) to £2.03bn (2017: £1.89bn). Our private sales reservation volumes in our forward sales are 5.7% ahead of last year.

We believe the Group's offer of attractively designed core house types at affordable price points on developments that have layouts which provide a full range of products to all customers with an emphasis on first time buyers and first time home movers places the Group in a strong position in its local markets moving forwards.

Whilst conditions in the new build housing market remain supportive, the negotiations associated with the UK's exit from the EU, including both the transitional arrangements and the terms of the longer term relationship, together with the nature of UK's trading relationships with its other global partners, present key uncertainties that will have a substantial influence on market outcomes. However, with a long term unfulfilled demand for housing, we believe that UK fundamentals remain strong. We will continue to focus on meeting this demand by opening as many new development sites as promptly as possible and driving our construction programmes forward.

The sustainability of the UK housing market will be achieved in part by the continued vigilance of the Bank of England in maintaining disciplined lending practices. The Financial Policy Committee's guidance and direction to lenders together with the Bank's monetary policy settings and the Government's fiscal policy measures, will all contribute to influence conditions in the market. Greater sustainability and stability will provide the industry with the confidence to continue to invest in skills, land and new home construction to maintain the expansion in output that the country needs.

During 2018 we will concentrate on retaining flexibility to react to changes in market conditions with our replacement land activity continuing to target superior returns. The Group continues to see good quality opportunities in the land market which will encourage us to invest at appropriate levels to support our future growth towards optimal sustainable scale in our regional markets. We are working hard in partnership with the planning authorities to identify opportunities for our strategic land to form part of their five year plans for meeting the housing needs in their local communities. The Group's strong balance sheet provides a great platform to secure the right level of investment in support of the future growth of the business.

As a result of the hard work and dedication of the whole Persimmon team the performance of the Group in 2017 has been excellent. The Board is confident that the Group will thrive by pursuing the current strategy and seeking continual improvement in operational execution. We are confident that this team has the skills, drive and vision to deliver the Group's strategic objectives and we thank all our employees and supply chain partners for their contribution to the Group's success.

Jeff Fairburn	Mike Killoran
Group Chief Executive	Group Finance Director
26 February 2018	

* 12 month rolling average and stated before goodwill impairment

** stated before goodwill impairment of £11.0m (2016: £8.0m)

*** Source: ONS

PERSIMMON PLC
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2017

	Note	**2017 Total £m**	2016 Total £m
Revenue		**3,422.3**	3,136.8
Cost of sales		**(2,350.6)**	(2,265.4)
Gross profit		**1,071.7**	871.4
Other operating income		**9.4**	6.8
Operating expenses		**(126.0)**	(107.7)
Profit from operations before impairment of intangible assets		**966.1**	778.5
Impairment of intangible assets		**(11.0)**	(8.0)
Profit from operations		**955.1**	770.5
Finance income		**24.5**	19.8
Finance costs		**(13.5)**	(15.5)
Profit before tax		**966.1**	774.8
Tax	2	**(179.2)**	(149.5)
Profit after tax (all attributable to equity holders of the parent)		**786.9**	625.3
Other comprehensive income/(expense)			
Items that will not be reclassified to profit:			
Remeasurement gains/(losses) on defined benefit pension schemes	8	**22.1**	(23.4)
Tax	2	**(3.7)**	4.4
Other comprehensive income/(expense) for the year, net of tax		**18.4**	(19.0)
Total recognised income for the year		**805.3**	606.3
Earnings per share			
Basic	4	**255.0p**	203.0p
Diluted	4	**243.1p**	197.0p

PERSIMMON PLC
Consolidated Balance Sheet
As at 31 December 2017

	Note	**2017 £m**	2016 £m
Assets			
Non-current assets			
Intangible assets		**202.6**	213.6
Property, plant and equipment		**52.5**	43.0
Investments accounted for using the equity method		**3.0**	3.0
Available for sale financial assets		**117.3**	148.7
Trade and other receivables		**7.0**	8.8
Deferred tax assets		**92.0**	42.5
Retirement benefit assets	8	**67.7**	23.3
		542.1	482.9
Current assets			
Inventories	5	**2,825.9**	2,645.0
Trade and other receivables		**86.1**	103.7
Cash and cash equivalents	7	**1,302.7**	913.0
		4,214.7	3,661.7
Total assets		**4,756.8**	4,144.6
Liabilities			
Non-current liabilities			
Trade and other payables		**(294.1)**	(333.3)
Deferred tax liabilities		**(24.0)**	(17.7)
Partnership liability		**(38.5)**	(41.7)
		(356.6)	(392.7)
Current liabilities			
Trade and other payables		**(1,099.6)**	(935.0)
Partnership liability		**(5.4)**	(5.4)
Current tax liabilities		**(93.6)**	(74.1)
		(1,198.6)	(1,014.5)
Total liabilities		**(1,555.2)**	(1,407.2)
Net assets		**3,201.6**	2,737.4
Equity			
Ordinary share capital issued		**30.9**	30.8
Share premium		**13.5**	10.6
Capital redemption reserve		**236.5**	236.5
Other non-distributable reserve		**276.8**	276.8
Retained earnings		**2,643.9**	2,182.7
Total equity		**3,201.6**	2,737.4

PERSIMMON PLC
Consolidated Statement of Changes in Shareholders' Equity
For the year ended 31 December 2017

	Share capital	Share premium	Capital redemption reserve	Other non-distributable reserve	Retained earnings	Total
	£m	£m	£m	£m	£m	£m
Balance at 1 January 2016	**30.7**	**9.3**	**236.5**	**276.8**	**1,902.5**	**2,455.8**
Profit for the year	-	-	-	-	625.3	625.3
Other comprehensive income	-	-	-	-	(19.0)	(19.0)
Transactions with owners:						
Dividend on equity shares	-	-	-	-	(338.3)	(338.3)
Issue of new shares	0.1	1.3	-	-	(0.1)	1.3
Own shares purchased	-	-	-	-	(1.0)	(1.0)
Exercise of share options/share awards	-	-	-	-	(1.0)	(1.0)
Share-based payments	-	-	-	-	13.3	13.3
Satisfaction of share options from own shares held	-	-	-	-	1.0	1.0
Balance at 31 December 2016	**30.8**	**10.6**	**236.5**	**276.8**	**2,182.7**	**2,737.4**
Profit for the year	-	-	-	-	786.9	786.9
Other comprehensive income	-	-	-	-	18.4	18.4
Transactions with owners:						
Dividend on equity shares	-	-	-	-	(416.6)	(416.6)
Issue of new shares	0.1	2.9	-	-	-	3.0
Exercise of share options/share awards	-	-	-	-	(0.9)	(0.9)
Share-based payments	-	-	-	-	72.5	72.5
Satisfaction of share options from own shares held	-	-	-	-	0.9	0.9
Balance at 31 December 2017	**30.9**	**13.5**	**236.5**	**276.8**	**2,643.9**	**3,201.6**

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

PERSIMMON PLC
Consolidated Cash Flow Statement
For the year ended 31 December 2017

	Note	**2017 £m**	2016 £m
Cash flows from operating activities:			
Profit for the year		**786.9**	625.3
Tax charge	2	**179.2**	149.5
Finance income		**(24.5)**	(19.8)
Finance costs		**13.5**	15.5
Depreciation charge		**8.4**	8.0
Impairment of intangible assets		**11.0**	8.0
Share-based payment charge		**18.8**	14.0
Net imputed interest income		**5.0**	3.9
Other non-cash items		**(1.5)**	(3.9)
Cash inflow from operating activities		**996.8**	800.5
Movement in working capital:			
(Increase)/decrease in inventories		**(176.6)**	7.8
Increase in trade and other receivables		**(20.5)**	(18.3)
Increase in trade and other payables		**131.1**	11.1
Decrease in available for sale financial assets		**46.6**	44.6
Cash generated from operations		**977.4**	845.7
Interest paid		**(3.9)**	(4.0)
Interest received		**3.4**	3.1
Tax paid		**(152.9)**	(146.6)
Net cash inflow from operating activities		**824.0**	698.2
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(18.0)**	(14.7)
Proceeds from sale of property, plant and equipment		**0.3**	0.8
Net cash outflow from investing activities		**(17.7)**	(13.9)
Cash flows from financing activities:			
Financing transaction costs		**-**	(0.9)
Payment of Partnership liability		**(3.0)**	(2.8)
Own shares purchased		**-**	(1.0)
Share options consideration		**3.0**	1.3
Dividends paid	3	**(416.6)**	(338.3)
Net cash outflow from financing activities		**(416.6)**	(341.7)
Increase in net cash and cash equivalents	7	**389.7**	342.6
Cash and cash equivalents at the beginning of the year		**913.0**	570.4
Cash and cash equivalents at the end of the year	7	**1,302.7**	913.0

Notes

1. Basis of preparation

The results for the year have been prepared on a basis consistent with the accounting policies set out in the Persimmon Plc Annual Report for the year ended 31 December 2017.

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

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 December 2017 or 2016, but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies, and those for 2017 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

Whilst the financial information included in this announcement has been computed in accordance with IFRS as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to send its Annual Report 2017 to shareholders on 19 March 2018.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report in the Annual Report and the financial statements and notes. The Directors believe that the Group is well placed to manage its business risks successfully. The principal risks that may impact the Group's performance and their mitigation are outlined in note 10. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to fund its operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the annual financial statements.

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

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2017:

- Amendments to IAS 7 Disclosure Initiative
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to IFRSs 2014-2016 Cycle

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

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

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases

The Group is currently considering the implication of these new standards with the expected impact upon the Group as follows:

IFRS 15 Revenue from Contracts with Customers will be effective and will be applied by the Group from 1 January 2018. Currently the Group recognises revenue at the fair value of the consideration received or receivable on the legal completion of a residential property. On applying IFRS 15 revenue from the sale of residential properties will continue to be recognised on a consistent basis and will also include the fair value of the consideration received or receivable on the sale of part exchange properties. The revenues associated with the sale of part exchange properties are currently included as a reduction in cost of sales as the purchase and sale of part exchange properties is regarded as a mechanism for selling. Applying IFRS 15 will result in an increase to both revenue and cost of sales. There will be no impact on the reported profit from operations but there will be a decrease in the reported operating margin. There would be no impact on the Group's cash flows.

Were IFRS 15 applied to the years ended 31 December 2017 and 2016 both revenue and cost of sales would have been increased by £175.5m and £176.8m respectively. Reported profit from operations would have remained at £955.1m for 2017 and £770.5m for 2016. Reported operating margin for 2017 would have decreased to 26.5% from 27.9%, with 2016 decreasing from 24.6% to 23.3%.

IFRS 9 Financial Instruments will be effective for the Group from 1 January 2018 and will replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard affects the classification, measurement, impairment and de-recognition of financial instruments. We do not currently expect the standard to have a material impact on our reported consolidated results.

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

2. Tax

	2017 £m	2016 £m
Tax charge comprises:		
UK corporation tax in respect of the current year	**187.1**	153.6
Adjustments in respect of prior years	**(8.4)**	(11.3)
	178.7	142.3
Deferred tax relating to origination and reversal of temporary differences	**1.0**	3.0
Adjustments recognised in the current year in respect of prior years deferred tax	**(0.5)**	4.2
	0.5	7.2
	179.2	149.5

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

	2017 £m	2016 £m
Profit from continuing operations	**966.1**	774.8
Tax calculated at UK corporation tax rate of 19.25% (2016: 20%)	**186.0**	155.0
Accounting base cost not deductible for tax purposes	**-**	0.1
Goodwill impairment losses that are not deductible	**2.1**	1.6
Expenditure not allowable for tax purposes	**0.2**	0.1
Effect of change in rate of corporation tax	**(0.1)**	(0.2)
Adjustments in respect of prior years	**(9.0)**	(7.1)
Tax charge for the year recognised in profit	**179.2**	149.5

The Group's overall effective tax rate of 18.6% has been reduced from the mainstream rate of 19.25% by a prior year tax credit arising from the removal of some uncertainties regarding the Group's prior year tax computations.

The applicable corporation tax rate has reduced from 20% in the prior year to 19.25% in line with corporation tax rates effective from 1 April 2017. In relation to the Group's deferred tax calculations, a further corporation tax rate change enacted on 15 September 2016 effective from 1 April 2020 (17%) has been used.

In addition to the amount recognised in profit, deferred tax of £3.7m was charged directly to other comprehensive income/(expense) (2016: credit of £4.4m), and a £47.4m credit was recognised in equity (2016: charge of £0.7m). The Group has recognised deferred tax liabilities of £11.5m (2016: liabilities of £4.0m) on retirement benefit assets of £67.7m (2016: assets of £23.3m).

3. Dividends/Return of capital

	2017 £m	2016 £m
Amounts recognised as distributions to capital holders in the period:		
2015 dividend to all shareholders of 110p per share paid 2016	**-**	338.3
2016 dividend to all shareholders of 25p per share paid 2017	**77.1**	-
2016 dividend to all shareholders of 110p per share paid 2017	**339.5**	-
Total capital return	**416.6**	338.3

The Directors propose to return 125 pence of surplus capital to shareholders for each ordinary share in issue held at 6.00pm on 9 March 2018 with payment made on 29 March 2018 as an interim dividend in respect of the financial year ended 31 December 2017. This is an additional payment of surplus capital over and above the previously announced Capital Return Plan schedule. In line with the previously announced schedule, the Directors propose to return a further 110 pence of surplus capital to shareholders for each ordinary share in issue held at 6.00pm on 15 June 2018 with payment made on 2 July 2018 as a final dividend in respect of the financial year ended 31 December 2017. The total return to shareholders is therefore 235 pence per share (2017: 135 pence per share) in respect of the financial year ended 31 December 2017.

4. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee benefit trusts and any treasury shares, all of which are treated as cancelled, which were 308.6m (2016: 308.0m).

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 323.7m (2016: 317.5m).

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

	2017	2016
Basic earnings per share	**255.0p**	203.0p
Underlying basic earnings per share	**258.6p**	205.6p
Diluted earnings per share	**243.1p**	197.0p
Underlying diluted earnings per share	**246.5p**	199.5p

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

	2017 **£m**	2016 £m
Underlying earnings attributable to shareholders	**797.9**	633.3
Goodwill impairment	**(11.0)**	(8.0)
Earnings attributable to shareholders	**786.9**	625.3

5. Inventories

	2017 **£m**	2016 £m
Land	**2,010.6**	1,946.4
Work in progress	**723.9**	617.2
Part exchange properties	**45.2**	37.1
Showhouses	**46.2**	44.3
	2,825.9	2,645.0

The Group conducted a further review of the net realisable value of its land and work in progress portfolio during 2017. Our approach to this review has been consistent with that conducted at 31 December 2016. Net realisable provisions held against inventories at 31 December 2017 were £41.9m (2016: £48.5m). Following the 2017 review, £28.3m (2016: £34.1m) of inventories are valued at fair value less costs to sell rather than historical cost.

6. Financial instruments

In aggregate, the fair value of financial assets and liabilities are not materially different from their carrying value. Financial assets and liabilities carried at fair value are categorised within the hierarchical classification of IFRS 7 Revised (as defined within the standard) as follows:

	2017 **Level 3** **£m**	2016 Level 3 £m
Available for sale financial assets	**117.3**	148.7

Available for sale financial assets

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

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

Significant unobservable inputs into the fair value measurement calculation include regional house price movements based on the Group's actual experience of regional house pricing and management forecasts of future movements, weighted average duration of the loans from inception to settlement of 10 years (2016: 10 years) and discount rate 8% (2016: 8%) based on current observed market interest rates offered to private individuals on secured second loans.

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

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

	2017 **£m**	2016 £m
Increase in net cash and cash equivalents in cash flow	**389.7**	342.6
Net cash at 1 January	**913.0**	570.4
Net cash at 31 December	**1,302.7**	913.0

8. Retirement benefit assets

As at 31 December 2017 the Group operated four employee pension schemes, being two Group personal pension schemes and two defined benefit pension schemes. Remeasurement gains and losses in the defined benefit schemes are recognised in full as other comprehensive income/(expense) within the consolidated statement of comprehensive income. All other pension scheme costs are reported in profit or loss.

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

	2017 **£m**	2016 £m
Current service cost	**2.3**	2.4
Administrative expense	**0.7**	0.7
Pension cost recognised as operating expense	**3.0**	3.1
Interest cost	**15.9**	17.9
Return on assets recorded as interest	**(16.9)**	(18.7)
Pension cost recognised as net finance credit	**(1.0)**	(0.8)
Total defined benefit pension cost recognised in profit or loss	**2.0**	2.3
Remeasurement (gains)/losses recognised in other comprehensive income/(expense)	**(22.1)**	23.4
Total defined benefit scheme (gain)/loss recognised	**(20.1)**	25.7

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

	2017 **£m**	2016 £m
Fair value of Pension Scheme assets	**649.1**	605.6
Present value of funded obligations	**(581.4)**	(582.3)
Net pension asset	**67.7**	23.3

9. Post balance sheet event

Reduction of 2012 LTIP Awards by Executive Directors

On 22 February 2018 Jeff Fairburn and Mike Killoran decided to reduce their overall entitlement under the 2012 Long Term Incentive Plan ("2012 LTIP") by a number of shares equal to 50% of the shares to which they would become entitled on the second vesting. Additionally they also decided to extend until 2021 the holding period applying to 50% of any shares under any second vest other than shares sold to cover tax liabilities.

On the same date Dave Jenkinson decided to reduce his overall entitlement by a number of shares equal to 50% of the shares subject to awards granted to him since being promoted to the Board to which he would become entitled on the second vesting. In addition to the existing obligation to hold 50% of the shares from any second vest for 12 months, other than shares sold to cover tax liabilities, he decided to extend until 2020 the holding period for 25% of such shares.

There will be no changes to the 2012 LTIP for other plan participants.

At 22 February 2018, prior to this reduction in the Directors entitlement to shares, the total number of share options outstanding under the 2012 LTIP for all participants was 23.2m shares. The decision of the Directors to reduce their entitlements decreases the total options outstanding under the 2012 LTIP by 2.8m shares.

For further details in connection with these reductions please see the Company's announcement on 23 February 2018.

The reductions are anticipated to result in a net increase in the profit before tax of the Group for 2018 of £7.6m and a reduction in the shareholders equity of the Group of £2.5m (largely due to the reversal of the associated employers national insurance contribution accrual).

Option Settlement

On 31 December 2017 the first 40% tranche of the 2012 LTIP vested and became eligible for exercise by all participants on 27 February 2018.

However, with respect to the 2012 LTIP, on exercise of an option the Company reduces the number of shares issued to a participant by a value equal to the outstanding option price remaining.

In addition, reflecting the capital discipline embedded within the Group's long term strategy, on 26 February 2018 the Board determined that, in respect of the 40% of options granted under the 2012 LTIP that vested on 31 December 2017, participants will transfer their interest in an appropriate number of shares issued in exchange for an equivalently valued cash payment direct to HMRC meeting the participants' income tax and national insurance contributions in respect of the exercise of their vested options. The value of these liabilities will be determined by the Company's share price on the date participants choose to exercise their options together with the prevailing income tax and national insurance contribution rates at that time.

For illustrative purposes, the effect of the exercise mechanics outlined above are estimated to reduce the number of shares which will be issued in satisfaction of the above options from c. 9.2m to c. 4.0m shares and the Company will make a payment of c. £88m to HMRC. Please note these values will vary dependent on the Company's share price on the actual date on which participants choose to exercise their options.

There are 11.2m option entitlements under the 2012 LTIP held by all participants which remain unvested as at 26 February 2018 following the reduction in Directors' entitlements above. For illustration, looking forward, should the Board decide to net settle the second vesting and assuming a constant share price, full second vesting might be expected to give rise to a further payment of around £117m to HMRC, if all participants exercise their full entitlement at that time. The 11.2m outstanding options would reduce to c. 5.4m in these circumstances.

10. Principal risks

Risk	Impact	Mitigation	Residual Risk Rating	Change in 2017
UK's exit from the EU	As the UK negotiates the terms of its exit from the European Union, there remains a degree of uncertainty on the outlook for the UK economy. Ongoing economic uncertainty may reduce consumer confidence, impacting on demand and pricing for new homes and affecting revenues, profits and cash flows and may result in the impairment of asset values.	We continue to closely monitor the impact of the increased uncertainty on the UK economy and the housing market through the review of external information and changes in the behaviour of our customer base. Close management of work in progress levels matching supply to demand will continue and land investment decisions will continue to be assessed, including		

	Potential legislative changes on freedom of movement may also restrict the availability of skilled construction workers and impact on costs and build activity. In addition, potential further relative devaluation of the UK currency as a result of Brexit could increase costs of materials.	measures to ensure exposure to market disruption is mitigated. The overall shortage of supply of housing in the UK may provide a degree of support to the housing market should these circumstances arise. Action taken by the Government to adjust policy to support UK economic performance may provide further mitigation as might any response with respect to interest rates by the Bank of England. We will continue to employ robust tendering processes to maintain strong cost control over Group sourcing. In addition, we will remain focused on our training initiatives to improve the supply of the necessary construction skills the Group requires.	High	→
Government policy	Government policy has the potential to influence various aspects of our strategy, operations and overall performance. Changes in Government policy are considered as a new principal risk due to increased uncertainty in the political environment. Potential changes in Government policy, such as changes to the planning system, changes in the tax regime, or the amendment of the Help to Buy scheme could have an adverse effect on industry revenues, margins and asset values. Government initiatives to encourage house building through social housing or the SME sector could also increase the demand for, and costs of, scarce material and labour resources.	We monitor Government policy in relation to house building very closely. Consistency of policy formulation and application is very supportive of the industry, encouraging continued substantial investment in land, work in progress and skills to support output growth. We actively manage our land investment decisions and work in progress commitments to mitigate exposure to external influences. Both major political parties in the UK continue to support the Help to Buy scheme which received additional funding in 2017 and is scheduled to remain in place until 2021. Recent changes in stamp duty for first time buyers may support activity levels in the market.	High	NEW
National and regional economic conditions	The housebuilding industry is sensitive to changes in unemployment, interest rates and consumer confidence. Any deterioration in economic conditions may decrease demand and pricing for new homes, which could have a material effect on our business revenues, margins and profits and result in the impairment of asset values.	We control the level of build on site by closely managing our work in progress levels. We carry out extensive due diligence prior to our land investment decisions. We monitor our geographical spread to mitigate the effects of local microeconomic fluctuations. 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.	High	→
Mortgage availability	Any restrictions in the availability or affordability of mortgages for customers could reduce demand for new homes and affect revenues, profits and cash flows. Early withdrawal of the Government sponsored Help to Buy scheme is likely to impact on the availability of associated mortgage lending and could reduce demand for new homes from first time buyers, impacting revenues, profits, and cash flows.	We monitor Bank of England commentary on credit conditions. We ensure that our investment in land and work in progress is appropriate for our level of sales and our expectations for market conditions. We monitor the Council of Mortgage Lenders' monthly reports and lenders' announcements for trends in lending. The Government's Help to Buy scheme, which currently is anticipated to remain available until 2021, supports customers to gain	High	→

		access to the housing market across the UK with competitive mortgage rates.		
Health and safety	The health and safety of our employees, subcontractors, home owners and visitors to our construction sites is of paramount importance to us. Accidents on our sites could lead to reputational damage and financial penalties.	We ensure that the Board's health and safety strategy is implemented by our comprehensive management systems and controls, overseen by our Group Health and Safety Department to minimise the likelihood and impact of accidents on our sites.	High	→
Regulatory compliance	Our business is subject to extensive and complex laws and regulations relating to areas such as planning and the environment. Our obligations to comply with legislation can result in delays causing us to incur substantial costs and prohibit or restrict land development and construction. Non-compliance could also result in damage to the Group's reputation or imposition of financial penalties.	We operate comprehensive management systems to ensure regulatory and legal compliance, including anti-bribery policies. We engage extensively with planning 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 short to medium term land requirements.	Low	→
Materials	Expansion in UK housebuilding has driven an increase in demand for materials which may continue to cause availability constraints and/or costs to increase. Prices for key materials may also be affected by currency movements as the Brexit process continues.	We closely monitor our build programmes and our supply chain enabling us to manage and react to any supply chain issues. We build good relationships with suppliers to ensure consistency of supply and cost efficiency. We have invested in our expanding off-site manufacturing capability to help security of supply. Our own brick plant was commissioned in 2017 and will supply a significant proportion of the bricks we use. In addition we have taken the decision to manufacture our own roof tiles and will establish a new facility at our manufacturing hub at Harwoth near Doncaster during 2018. This complements our existing offsite manufacturing capability at Space4, which produces timber frames and highly insulated wall panels and roof cassettes as a modern method of constructing new homes. We continue to examine further investment in Space4 technology.	Medium	→
Labour	Having an appropriately skilled workforce is a key requirement for house building. Expansion in UK house building activity has increased demand for skilled labour. This may continue to create site resourcing shortfalls and/or increased labour costs ahead of our expectations. The availability and quality of labour resources may be further tightened depending on the nature of arrangements as the UK exits the European Union. A skilled management team is required to enable effective implementation of the Group's	Close monitoring of our build programmes enables us to manage our labour requirements effectively. We operate in-house apprentice and training programmes, including our Combat to Construction (C2C) programme, to supply the Group with skilled labour. We are committed to playing a full and active role in external initiatives to address the skills shortage such as the Home Building Skills Partnership, a joint initiative of the Construction Industry Training Board and the Home Builders Federation. Where appropriate, we also use the Group's Space4 modern method of	Medium	↑

	strategy. Loss of a number of key senior management could disrupt the business.	construction which reduces the site based skilled labour required in the construction of our homes. The Executive Directors undertake regular succession planning reviews. The Board have conducted a detailed review of succession planning with particular regard to the 2012 LTIP.		
Strategy	The Board has adopted its strategy as it believes it is the one most likely to add the greatest sustainable value for shareholders and stakeholders. It is possible that, with time, factors become known that indicate that the strategy currently being pursued is not the most effective or efficient and that alternative strategies may be more appropriate.	The Group's strategy is agreed by the Board at an annual strategy meeting and thereafter regularly reviewed at Board meetings and by the Executive Directors. The Board engages with management and employees to ensure the strategy is communicated and understood and that all employees have a clear understanding of the potential benefits and risks of the strategy. Further information is included in the Strategic Update.	Low	→

Key: ↑ Increased risk → No change ↓ Decreased risk

Viability Statement

The Directors have assessed the longer term prospects of the Group in accordance with provision C.2.2 of the UK Corporate Governance Code 2016.

The Directors have assessed the viability of the Group over a five year period, taking into account the Group's current position and the potential impact of the principal risks facing the Group. Based on this assessment, the Directors confirm that they have reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to the end of 31 December 2022.

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 six years the Group is ahead of plan and has paid £4.85 per share, or £1.49bn back to shareholders. On 27 February 2018 the Directors announced a further increase to the CRP to a total of £13.00 per share.

In making this statement, the Directors have carried out a robust assessment of the principal risks facing the Group (as set out in more detail in note 10), and how the Group manages those risks, including those risks that would threaten its strategy, business model, future operational and financial performance, solvency and liquidity.

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

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

Statement of Directors' Responsibilities

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

The 2017 Annual Report and Accounts comply with the United Kingdom's Financial Conduct Authority Disclosure Guidance and Transparency Rules in respect of the requirement to produce an annual financial report.

We confirm that to the best of our knowledge:

- the Group and Parent Company financial statements, contained in the 2017 Annual Report and Accounts, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

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

Nigel Mills	Senior Independent Director and Acting Chairman
Jeff Fairburn	Group Chief Executive
Mike Killoran	Group Finance Director
David Jenkinson	Group Managing Director
Marion Sears	Non-Executive Director
Rachel Kentleton	Non-Executive Director
Simon Litherland	Non-Executive Director

By order of the Board

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

26 February 2018

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