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# BARRATT

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## Building **sustainable** values

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Annual Report and Accounts  
2016

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15/11/2016 #244  
A12  
COMPANIES HOUSE

TUESDAY

Inside this report

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Strategic Priorities

<p><b>20</b></p> <p>Customer first</p> <p>Graphic removed</p>	<p><b>24</b></p> <p>Great places</p> <p>Graphic removed</p>	<p><b>28</b></p> <p>Leading construction</p> <p>Graphic removed</p>	<p><b>32</b></p> <p>Investing in our people</p> <p>Graphic removed</p>
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## Welcome to Barratt Developments

Our vision is to lead the future of housebuilding by putting **customers first** and at the heart of everything we do.

By **investing in our people**, we are **leading construction** to create **great places** where people aspire to live, and generating sustainable returns for our shareholders.

## A snapshot of our business

We are the nation's leading housebuilder operating across Britain with 27 housebuilding divisions delivering 17,319 homes this year.

### Our year in numbers<sup>1</sup>

Homes legally completed <sup>2</sup>	Average active sites	Housebuilding divisions
Graphic removed	Graphic removed	Graphic removed
17,319	365	27
2015: 16,447	2015: 380	2015: 27

### Owned and controlled land bank plot

Graphic removed
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71,351

2015: 70,523

### Employees<sup>3</sup>

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6,209

2015: 5,971

### Our homes

We are a HBF<sup>4</sup> 5 Star housebuilder and create great places to live. We aspire to meet Building for Life 12 standards<sup>5</sup> on all of our developments.

#### 2016 completions by unit type

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2016 2015

● 1 and 2 bedroom houses	11%	12%
● 3 bedroom houses	34%	33%
● 4 bedroom houses	31%	28%
● 5 and 6 bedroom houses	5%	4%
● Flats London	7%	9%
● Flats non-London	12%	14%

### Our customers

We put our customers first. We build great homes and aim to provide customer service that exceeds expectations.

#### 2016 completions by deal type

Graphic removed
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2016 2015

● Help to Buy	32%	31%
● Part Exchange	8%	8%
● Other Private	35%	32%
● Investor	8%	11%
● Affordable	17%	18%

<sup>1</sup> Unless otherwise stated, all numbers quoted exclude joint ventures [JV] and are as at 30 June 2016 throughout this Annual Report and Accounts.

<sup>2</sup> Total completions, including joint ventures, were 17,319 (2015: 16,447) for the year. Private completions for the year were 13,198 (2015: 12,746). Affordable completions for the year were 2,707 (2015: 2,853) and JV completions in which the Group had an interest were 1,414 (2015: 848).

<sup>3</sup> Employee numbers, excluding sub-contractors, taken as at 30 June.

<sup>4</sup> Home Builders Federation [HBF].

<sup>5</sup> Building for Life 12 is the industry standard, endorsed by the Government, for well-designed homes and neighbourhoods that local communities, local authorities and developers are invited to use to stimulate conversations about creating good places to live.

**Our geographic spread (including JV's)**

We are the nation's leading housebuilder committed to operating throughout Britain<sup>1</sup>.

①

Northern

3,611  
homes

2015: 3,289

②

East

2,897  
homes

2015: 2,945

③

Central

3,241  
homes

2015: 3,030

Graphic removed

④

West

2,392  
homes

2015: 2,336

⑤

London

2,054  
homes

2015: 1,965

⑥

Southern

3,124  
homes

2015: 2,882

**Our brands**

We have three main brands – Barratt Homes, David Wilson Homes and Barratt London. Commercial developments are delivered by Wilson Bowden Developments.

Graphics removed

Total completions  
(including joint ventures)

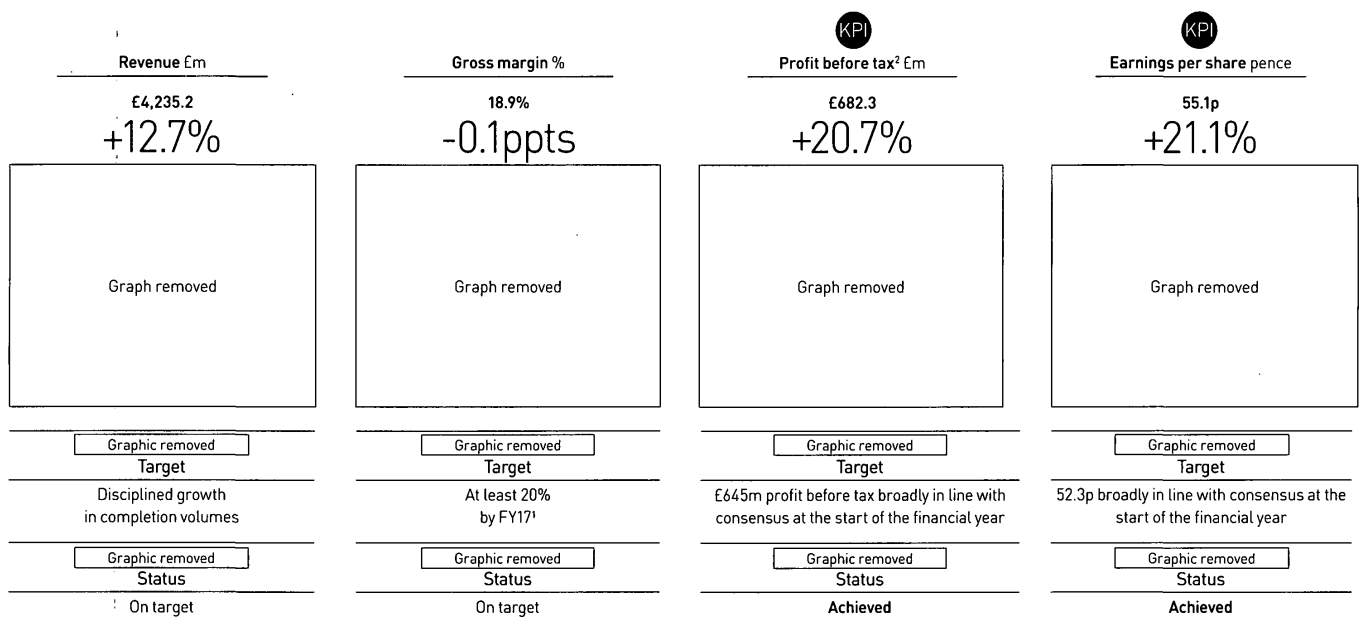
+5.3%

on 2015

<sup>1</sup> Housebuilding contributes 98.1% (2015: 98.5%) of revenues. We also have a commercial developments business which contributes 1.9% (2015: 1.5%) of revenues.

## Our performance and financial highlights

It has been a record year. We delivered our highest ever profit before tax and a strong performance against a number of our key metrics.



<sup>1</sup> FY refers to the financial year ended 30 June.

<sup>2</sup> Profit before tax in 2012 and 2013 is calculated before exceptional items.

KPI

88.7%

Total shareholder return for the  
three years ended 30 June 2016

30.7 pence

Total capital return per share<sup>1</sup>

Land bank years

4.5 years

no change

Graph removed

Graphic removed

Target

c. 4.5 years supply

Graphic removed

Status

Achieved

Land approvals plots

24,387

+43.8%

Graph removed

Graphic removed

Target

16,000–18,000 plots approved for purchase

Graphic removed

Status

Achieved greater than target

Return on capital employed<sup>2</sup> %

27.1%

+3.2 ppts

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Graphic removed

Target

At least 25% by FY17

Graphic removed

Status

On target

Year end net cash/(debt)<sup>3</sup> £m

£592.0

+£405.5m

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Target

Year end net cash

Graphic removed

Status

Achieved

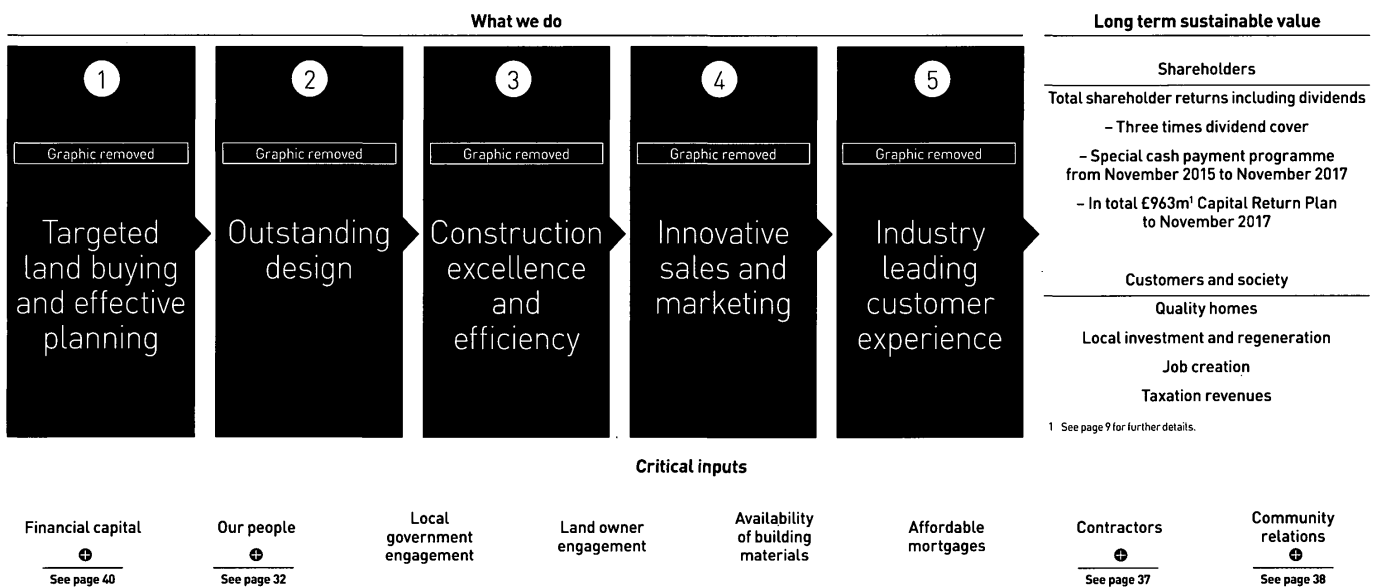
<sup>1</sup> The Board proposes a final dividend of 12.3 pence per share and a further special dividend of 12.4 pence per share under the special cash payment programme. An interim dividend of 4.0 pence per share was paid to shareholders on 20 May 2016.

<sup>2</sup> Return on capital employed (ROCE) is calculated as earnings before interest, tax, operating charges relating to the defined benefit pension scheme and operating exceptional items, divided by average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit assets/obligations and derivative financial instruments.

<sup>3</sup> Net cash is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and foreign exchange swaps.

## How we create and preserve value

Our business model focuses on delivering value across the housebuilding value chain, creating sustainable returns for shareholders and making a positive difference in the communities in which we operate.



1

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### Targeted land buying and effective planning

#### What we do

We purchase land in targeted locations which at least meets our hurdle rates of 20% gross margin and 25% ROCE. We then work closely with local communities and authorities to deliver effective planning permissions.

Our capability to deliver developments of all levels of complexity from standard housing to large and highly complex London schemes, and our wide geographical portfolio means we can manage risk through our diversity.

We also have a proven track record in delivering successful JV partnerships.

#### The value this creates

Increasing margins and return on capital employed with FY17 targets being at least 25% return on capital employed and 20% gross margin

Delivery of quality housing to help address Britain's housing shortage

Investment in local facilities and infrastructure resulting from development

Regeneration of brownfield sites

#### The associated risks<sup>1</sup>

- > Economic environment, including housing demand and mortgage availability
- > Land purchasing
- > Liquidity
- > Government regulation and planning policy
- > Joint ventures and consortia
- > Attracting and retaining high-calibre employees
- > IT

2

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### Outstanding design

#### What we do

We design outstanding homes and places for our customers, using standard house designs, developed using customer research.

This means our quality products are well designed to fit our customers' lifestyles with developments that enhance the local community, with our aim that all new developments meet Building for Life 12 standards.

#### The value this creates

Ability to achieve the best possible prices for the homes we sell, driving returns

Successful development enhances local relationships and reputation, helping source future sites, obtain effective planning permissions, community support and customers

Positive legacy for local communities by building great places to live

Efficient house design reduces energy consumption and helps to provide a more sustainable future

#### The associated risks

- > Government regulation and planning policy
- > Construction and new technologies
- > Safety, health and environmental
- > Attracting and retaining high-calibre employees

3

Graphic removed

### Construction excellence and efficiency

#### What we do

We build quality homes efficiently, with centralised procurement and sharing of best practice, while ensuring high standards of health and safety. Our experienced teams help ensure efficient delivery of complex developments.

We have long standing relationships with material suppliers which are centrally contracted, managing our cost base and ensuring continuity of supply and strong, long standing relationships with local sub-contractors.

#### The value this creates

Improving return on capital employed through capital efficiency

Security of materials and sub-contractor supply

High standards of health and safety on our sites

Job creation through over 12,700 supplier and sub-contractor companies that we help support

Helping address the construction industry skills shortage through employing and training apprentices and graduates and improving the industry's reputation

#### The associated risks

- > Economic environment, including housing demand and mortgage availability
- > Land purchasing
- > Construction and new technologies
- > Availability of raw materials, sub-contractors and suppliers
- > Safety, health and environmental
- > Joint ventures and consortia
- > Attracting and retaining high-calibre employees
- > IT

4

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### Innovative sales and marketing

#### What we do

We constantly innovate our sales and marketing methods to customers and invest in IT to deliver strong sales rates.

We have strong, well-recognised brands – Barratt Homes, David Wilson Homes and Barratt London that have carefully defined market positions.

#### The value this creates

Good sales rates and revenues delivering improved returns

Efficient sales process enhances the customer journey from reservation through to completion

#### The associated risks

- > Economic environment, including housing demand and mortgage availability
- > Attracting and retaining high-calibre employees
- > IT

5

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### Industry leading customer experience

#### What we do

We focus on maintaining the very highest levels of quality seeking to understand customer needs and provide a first class customer experience.

We are the only national housebuilder to achieve 5 Star HBF rating for customer satisfaction for seven consecutive years.

#### The value this creates

Improved revenues and improved efficiency through reduced remedial costs

Customers who are satisfied with their new homes and would recommend us to their friends and families, generating further sales

#### The associated risks

- > Attracting and retaining high-calibre employees
- > Availability of raw materials, sub-contractors and suppliers
- > IT

<sup>1</sup> The associated risks are discussed in greater detail in the Risk Management section on pages 41 to 45.

## Chairman's statement



This performance is particularly impressive, given it accompanies our industry-leading quality and customer service standards.

**John Allan**  
Chairman

**18.3p**

Ordinary dividend per share  
(2015: 15.1p)

**£963m**

Capital Return Plan  
over three years ending November  
2017 based on consensus earnings

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### A year of strong performance

This has been another year of excellent progress for the Group, with a strong financial and operational performance. We have grown completion volumes in a disciplined way, significantly grown profit and continued our delivery of industry leading build quality and customer service.

Whilst the outcome of the EU referendum has increased levels of economic and political uncertainty, the Group is in a strong position, with a substantial year end net cash balance, healthy forward sales position and an experienced management team. The Board will continue to monitor the market and economy and take appropriate action where necessary. The wider market for new homes remains healthy across Britain, with a long term undersupply of new homes, strong government support to the sector and a liquid mortgage market.

Consequently, we remain confident in the strong fundamentals of the housing sector and our business.

Operationally, we have delivered our highest completion volumes for eight years, increasing completions by 5.3% to 17,319 homes, a performance that highlights the reliability and delivery capability of our housebuilding operations. This performance is particularly impressive, given it accompanies our industry-leading quality and customer service standards.

As a result of this excellent operating performance, we were able to increase profit before tax by 20.7% and we ended the year with a net cash balance of £592.0m.

The Group's fast asset turn model, supported by a relatively short consented land bank, the use of deferred payment terms, high levels of standard products and the ability to sell through both Barratt and David Wilson Homes on larger sites, ensures a focus on driving return on capital employed. We made further progress in the year, driving return on capital employed up to 27.1%, an increase of 3.2 percentage points.

### Investing in land

The land market remained attractive throughout FY16 in terms of land availability at acceptable prices and we have secured excellent development opportunities that meet or exceed our minimum hurdle rates of 20% gross margin and 25% site ROCE. In the year we approved £1,095.6m of operational land for purchase, which we expect to equate to 24,387 plots. Our long term targets for land are to hold 3.5 years of owned and consented land and a further 1.0 year of controlled land. This strong performance helped us to end the year with 3.4 years of owned and consented land and a further 1.1 year of controlled land: 4.5 years in total (2015: 4.5 years).

During the year we have also made good progress in securing a longer term pipeline of land through strategic options.

### Housing policy

The UK Government continues to recognise the need to see more homes built across the country as evidenced by its policies to improve land availability, planning and support for buyers.

By increasing the number of homes that we are building, in a disciplined way, we are not only playing our part in reducing the housing shortage but are also generating significant economic activity, creating jobs and enhancing communities. During the year we estimate that we supported over 55,000 jobs either directly, indirectly or induced.

### Delivering returns for our shareholders

Our dividend plan was announced in September 2014 and aimed to deliver attractive future cash returns through an ordinary dividend of one-third of earnings and

a special dividend, over three years, of £400m in aggregate.

As a result, the Board is pleased to propose a final dividend of 12.3 pence per share (2015: 10.3 pence per share). Under our Capital Return Plan, special dividends are proposed in addition to ordinary dividends with the second special dividend of £125.0m to be paid in November 2016, which equates to 12.4 pence per share.

The total proposed capital return for the year is therefore 30.7 pence per share (2015: 25.1 pence per share).

### Our employees

The outstanding progress made during the year would not have been possible without the capability and dedication of our employees whom I would like to thank on behalf of the Board for their contribution.

We are delighted that our site managers were awarded 79 NHBC Pride in the Job Awards. This is the 12th year in succession that we have secured more Pride in the Job Awards than any other housebuilder.

We are also very pleased that we have maintained the Home Builders Federation maximum five star rating for the seventh consecutive year, indicating that 90% of our homeowners would recommend us to a friend. This is a fantastic achievement and reflects the strength of our sales and customer service teams.

### The Board

During the year there have been a number of significant changes to the Board.

David Thomas, who joined us as Group Finance Director in 2009, succeeded Mark Clare as Chief Executive on 1 July 2015.

Neil Cooper joined the Board on 23 November 2015 as Chief Financial Officer. Neil was previously Group Finance Director of William Hill PLC and was Group Finance Director of Bovis Homes Group PLC from 2007 until 2010.

After eight years' distinguished service to the Board, Mark Rolfe will step down from his position as a Non-Executive Director of the Company with effect from the conclusion of the forthcoming AGM to be held in November 2016. Mark will also stand down as the Senior Independent Director and Chairman of the Audit Committee on the same date.

Richard Akers will replace Mark Rolfe as the Senior Independent Director with effect from the conclusion of the Group's AGM in November 2016. Richard has been a Non-Executive Director of the Group since 2012 and is also Chairman of the Remuneration Committee.

The Board appointed Jock Lennox as a Non-Executive Director of the Company with effect from 1 July 2016. Jock also joined the Audit, Nomination and Remuneration Committees with effect from the same date and will succeed Mark Rolfe as Chairman of the Audit Committee from the conclusion of the 2016 AGM.

The Board is confident that the Executive Directors – David Thomas, Steven Boyes and Neil Cooper – supported by an experienced and talented Senior Management team, will continue to lead the Group effectively.

John Allan  
Chairman

6 September 2016

Capital Return Plan <sup>a</sup>	Ordinary dividend £m	Special dividend £m	Total Capital Return £m	Total pence per share
<b>Paid to date<sup>b</sup></b>	281	100	381	38.2p
<b>Proposed payment</b>				
November 2016	123 <sup>c</sup>	125	248	24.7p <sup>d</sup>
Year to November 2017	159 <sup>cD</sup>	175	334	33.2p <sup>d</sup>
<b>Total proposed payment</b>	282 <sup>cD</sup>	300	582	57.9p <sup>d</sup>
<b>Total Capital Return Plan</b>	563	400	963	96.1p <sup>d</sup>

A All ordinary and special dividends are subject to shareholder approval. The second special dividend will be subject to shareholder approval at the Annual General Meeting in November 2016 and subsequent special dividends will be subject to shareholder approval.

B Comprises FY14 final dividend of 7.1 pence per share (£70m), FY15 interim dividend of 4.8 pence per share (£48m), FY15 final dividend of 10.3 pence per share (£103m), FY15 special dividend of 10.0 pence per share (£100m) and FY16 interim dividend of 6.0 pence per share (£60m).

C Based on Reuters consensus estimates of earnings per share of 47.5 pence for FY17 as at 2 September 2016 and applying a three times dividend cover in line with previously announced policy.

D Based upon 30 June 2016 share capital of 1,003,607,066 shares for proposed payments.

## Key aspects of our market

The market for new homes was generally strong in FY16, with the housing market as a whole being characterised by continued demand and undersupply.

# 144,290

English housing starts 2016<sup>1</sup>  
(2015: 140,940)  
Source: DCLG

# £216,823

UK average house prices 2016<sup>2</sup>  
(2015: £199,447)  
Source: Halifax

Just outside the Peak District National Park, Octavia Gardens offers you rural living in an established community.

Graphic removed

### The UK economy and housing market

The UK economy continued to grow in the 12 months to 30 June 2016, with most economic indicators showing improvements on the prior year.

The UK housing market has continued to show strength with UK residential housing transactions for the year to 30 June 2016 increasing by 8% on the prior year to 1.3 million transactions (source: HM Revenue & Customs ('HMRC'))<sup>3</sup>.

The London market saw growth in transaction volumes based on an extrapolation of data from the Land Registry, although transactions at the higher end have seen a number of negative sentiment impacts, including stamp-duty hikes.

The market for new homes remains strong across Britain with the housing market as a whole being characterised by continued demand and undersupply.

### Housing supply

The supply of new housing has increased slightly, with 144,290 new housing starts in the year to 30 June 2016 in England, an increase of 2% on the prior year (source: Department for Communities and Local Government ('DCLG')), although housing completions were up 6% on the previous year to 139,030 (2015: 131,510)<sup>4</sup>. Whilst this represents a positive move, new housing starts remain over 35,000 lower than the pre-downturn peak and significantly lower than that required to meet demand. DCLG projects that 210,000 homes need to be built in England, per year, through the period 2014 – 2039.

Obtaining planning permission continues to be a constraint for new build developments. A number of amendments have been made to the planning system in recent years, with an increase of 9% in planning approvals to 292,089 in the year to March 2016 across Great Britain (source: HBF<sup>4</sup>).

#### Help to Buy and mortgage availability

Help to Buy (Equity Loan) continues to be an important enabler for new housebuilding, supporting 81,014 purchases in England from the scheme's inception in April 2013 until March 2016, with 81% of purchasers using the scheme being first time buyers (source: DCLG). However, the scheme has had a limited impact on the wider housing market in the UK as it represented only 2.6% of HMRC residential housing transactions in England for the same period.

Average quoted household interest rates remain at affordable levels and mortgage transaction volumes increased over the last year. The number of mortgage approvals for house purchases rose by 11% to 836,082 approvals in the year to 30 June 2016 and the value of mortgage approvals for house purchases rose by 17% to £146,126m (source: Bank of England<sup>6</sup>).

#### House prices

The shortfall in the supply of housing stock and a continued availability of mortgage finance at low interest rates meant that house prices rose in the year. The ONS<sup>7</sup> house price index rose by an average of 8.7% per annum across the UK in the year to June 2016. The increase was particularly marked in the East, London and the South East of England, where the ONS house price index rose by 14.3%, 12.6% and 12.3% respectively in the year to June 2016. The lowest annual growth was in the North East, where prices increased by 1.5% over the year. According to the Halifax, the UK average house price in June 2016 was £216,823, which was £17,376 higher than at June 2015.

#### Housing outlook

The underlying demand for new housing is expected to remain strong as supply is unlikely to meet demand in the medium term. We are committed to do our part to help address the existing undersupply in the market.

The Government is committed to increasing the supply of new homes, we have greater clarity on housing policy, and in particular believe the extension of the Help to Buy (Equity Loan) scheme through to 2021 in England will support an increase in new housing supply.

Following the EU referendum, we are mindful that the immediate outlook for the UK economy is less clear. Risks lie around the short term impact on buyer sentiment and any longer term negative impact on the wider economy. Offsetting this we have seen positive changes in mortgage interest rates following the vote. In the round, it is too early to say what the impact of the uncertainty facing our industry will be.

Graphic removed

Duddingston Gardens, a development of a two, three and four bedroom homes and stylish apartments, just a few miles south east of Edinburgh city centre.

- 1 DCLG House Building Release June Quarter 2016, England, non-seasonally adjusted. The DCLG published revised figures for the year ending 30 June 2015 and therefore the prior year comparative has been restated.
- 2 Halifax House Price Index June 2016. Halifax's standardised average price is calculated using its HPI mix adjusted methodology and therefore the prior year comparative has been adjusted.
- 3 HMRC UK Property Transaction Statistics June 2016.
- 4 HBF New Housing Pipeline Q1 2016 Report.
- 5 DCLG Help to Buy (Equity Loan) purchases divided by HMRC residential transactions in England for the 36 months ending 31 March 2016.
- 6 Bank of England Approvals for lending secured on dwellings (Table A5.4, not seasonally adjusted).
- 7 Office of National Statistics (ONS) House Price Index June 2016.

## Chief Executive's statement



Improving the efficiency of our operations and controlling costs continues to be a high priority for the Group.

**David Thomas**  
Chief Executive

**£682.3m**

Profit before tax  
(2015: £565.5m)

**27.1%**

Return on capital employed  
(2015: 23.9%)

Graphic removed

### Our results

The Group traded successfully throughout the financial year, delivering a strong performance. We made a record profit before tax of £682.3m, up 20.7% on the prior year (2015: £565.5m), and our highest ROCE in ten years at 27.1% (2015: 23.9%).

We have also significantly strengthened our Balance Sheet, ending the year with net cash of £592.0m (2015: £186.5m) and with net tangible assets<sup>1</sup> of £3,118m (2015: £2,819m).

£m unless otherwise stated	Housebuilding	Commercial	Total
Total completions including JV's (plots)	17,319	-	<b>17,319</b>
Revenue	4,153.3	81.9	<b>4,235.2</b>
Gross margin (%)	19.1%	10.3%	<b>18.9%</b>
Profit from operations	662.4	6.0	<b>668.4</b>
Operating margin (%)	15.9%	7.3%	<b>15.8%</b>
Share of post-tax profit/(loss) from joint ventures and associates	72.4	(0.3)	<b>72.1</b>

<sup>1</sup> Group net assets less other intangible assets and goodwill.

### Our businesses

Our improved financial results have been driven by a strong and disciplined operational performance in both our housebuilding and commercial developments businesses.

#### Housebuilding

##### Housebuilding results

We saw good consumer demand across our regions throughout our financial year, with some slowdown in the higher value London market. Throughout the year, the mortgage market remained positive, with increased competition amongst lenders and new market entrants resulting in good availability of attractive mortgage finance for our customers.

The sales rate in the year was 0.69 (2015: 0.64) net private reservations per active outlet per week, with a sales rate in the second half of 0.72 (2015: 0.70) net private reservations per active outlet per week. During the year, we operated from an average of 365 active outlets (2015: 380).

In London, we have seen strong demand at price points up to £600,000, reflecting the benefit of the increase in the Help to Buy (Equity Loan) qualifying value limit to 40% in London. Above this price point, sales rates have slowed.

We delivered our highest completion volumes for eight years, being 17,319 units including JV's (2015: 16,447). Private completions increased by 3.5% to 13,198 (2015: 12,746), affordable completions were 2,707 (2015: 2,853), and JV completions in which the Group had an interest were 1,414 (2015: 848).

We continue to increase the proportion of completions that are on more recently acquired higher margin land and these accounted for 86% (2015: 76%) of the total in the year.

Our total average selling price ('ASP') increased by 10.5% to £259,700 (2015: £235,000) in the financial year with our private average selling price increasing by 10.4% to £289,800 (2015: £262,500). The year on year increase predominately reflects mix changes, with the average size of total completions rising by 4.6% from 1,013 to 1,060 sq ft and with the selling price per square foot benefiting from locational improvement and underlying house price inflation. Affordable average selling price increased by 0.8% to £113,200 (2015: £112,300) reflecting changes in mix, with affordable completions representing 17% (2015: 18%) of total completions.

Our JV's have performed well and our share of profits from JV's in the year for the housebuilding business increased to £72.2m (2015: £45.6m). As at 30 June 2016 we were selling from 11 (2015: 16) JV outlets. We expect our share of profits from JV's to be around £45m in FY17.

#### Housing policy

The UK Government recognises the need for more new homes to be built, given ongoing levels of household formation and historical undersupply, as evidenced by its policies to improve land availability, planning and support for buyers. In this regard, we noted in July this year the publication of the most recent DCLG publication updating household formation rate projections for England: now estimated at 210,000 per year through the period 2014-2039.

We were also pleased to see the extension of the Help to Buy (Equity Loan) programme in England through to 2021, as well as the increase in February 2016 of the Government's equity loan to 40% in London. Help to Buy (Equity Loan) provides support on house purchases up to £600,000 in England with equivalent support at lower house values in Scotland and Wales. Our customers, especially

first time buyers, have found this a very attractive proposition with 32% (2015: 31%) of our total completions using the scheme during the year. In FY16, 95% of the private homes (including JV's) that we completed had a selling price below £600,000. In FY17 we expect this to be around 93%, reflecting our forecast London mix.

#### Increasing our housing supply

With housing demand remaining strong, we have continued to invest, in a disciplined way, to increase housing production, with over £4.8bn approved for the purchase of over 93,400 plots of land over the last five years. There remains a long term housing shortage of all tenures that can only be addressed through additional supply; we are committed to playing a leading role in addressing this issue without compromising our operational or financial strength.

Over the last five years we have built more than 75,000 homes (including JV's) of which over 13,600 were affordable homes (including JV's) sold to registered providers and we have invested in our employees, including in FY16 268 new apprentices, trainees, graduates and undergraduates to further expand our skilled workforce, enabling further delivery of supply.

#### The key dimensions underpinning delivery of our strategy

In addition to the generally favourable market conditions during the year, the increase in our housebuilding profitability has benefited from our successful land investment strategy and from improvements in operating margin.

Graphic removed

The showhomes at Silkwood Gate, Wakefield which is a development of three, four and five bedroom homes.

Chief Executive's statement *continued***Executive Committee**

In addition to David Thomas and Neil Cooper, the Executive Committee consists of:

**1 Steven Boyes**

Chief Operating Officer and Deputy Chief Executive  
See page 46.

**2 Rob Tansey**

Group HR Director  
Rob has responsibility for the Group's human resources strategy, including recruitment, remuneration and benefits, talent and performance management.

**Career and Experience**

Rob joined the Group on 1 August 2012 from Dairy Crest Plc, where he was Group HR Director for six years. Before joining Dairy Crest, Rob was HR Director at Travis Perkins Plc and previously held senior HR roles at Cetesio AG and Wickes.

**3 Jeremy Hipkiss**

Group Sales and Marketing Director  
Jeremy is responsible for the Group's overall Sales, Marketing & Customer Experience strategy and delivery.

**Career and Experience**

Jeremy joined the Group in 2008 and has wide experience in Marketing and Retail Operations. Jeremy held a similar role at the Spirit Group. Prior to that, Jeremy worked for Allied Domecq and Marstons having graduated in Economics at Leeds University.

**4 Tina Bains**

Company Secretary  
See page 47.

**Regional Managing Directors**

The Group operates through six geographic housebuilding regions and a commercial division, each of which has a Managing Director as follows:

**5 John Reed**

Regional Managing Director, Northern

John is responsible for the Group's operations in the Northern Region which consists of six divisions.

**Career and Experience**

John joined the Group in 1989. Formerly Managing Director of Barratt York he was appointed to his current role in January 2006.

**6 Bernard Rooney**

Regional Managing Director, Central

Bernard is responsible for the Group's operations in the Central Region which consists of five divisions. In addition he heads up Barratt Partnerships which is responsible for identifying and securing public land and partnering opportunities.

**Career and Experience**

Bernard joined the Group in 1981. Formerly Managing Director of Barratt Newcastle, he was appointed to his current position in July 2010.

**7 Richard Brooke**

Regional Managing Director, East  
Richard is responsible for the Group's operations in the East Region which consists of four divisions. He is also responsible for the Group's procurement and commercial functions.

**Career and Experience**

Richard joined the Group in 2007 following the acquisition of Wilson Bowden plc, where he was Operations Director and previously Finance Director for David Wilson Homes. He was appointed to his current position in July 2008.

**8 Chris Burton**

Regional Managing Director, West  
Chris is responsible for the Group's operations in the West region which consists of four divisions.

**Career and Experience**

Chris joined the Group in 1985. Formerly Managing Director for the Barratt Yorkshire West Division, he was appointed to his current role in July 2012.

**9 Gary Ennis**

Regional Managing Director, Southern

Gary is responsible for the Group's operations in the Southern region which consists of five divisions.

**Career and Experience**

Gary joined the Group in 1995. Formerly Managing Director of Barratt North London he was appointed to his current role in January 2006.

**10 Alastair Baird**

Regional Managing Director, London

Alastair is responsible for high-value complex residential and mixed-use developments across the capital including three divisions.

**Career and Experience**

Alastair joined the Group in 1987 as an Engineer. Formerly Managing Director for Barratt East & West London divisions he was appointed to his current role in 2010.

**11 Nick Richardson**

Managing Director, Wilson Bowden Developments  
Nick is responsible for the commercial business, Wilson Bowden Developments.

**Career and Experience**

Nick joined Wilson Bowden in 1991 and was appointed to his current role in 1999. Nick joined the Group in 2007 following the acquisition of Wilson Bowden plc. Nick is a Chartered Surveyor.

Graphic removed

# £289,800

Private ASP  
(2015: £262,500)

# £1,096m

Approved land purchases  
(2015: £957m)

## Land and planning

A key enabler of the growth of our housebuilding business in recent years has been our land investment strategy, which has boosted absolute profit and led to increased completion volumes.

The land market remained attractive throughout the financial year and we secured excellent opportunities that meet or exceed our minimum hurdle rates of 20% gross margin and 25% site ROCE<sup>1</sup>. In the period, we approved the purchase of £1,095.6m (2015: £957.0m) of land, equating to 130 sites (2015: 114 sites) and 24,387 plots (2015: 16,956 plots).

We continue, under normal market conditions, to target a regionally balanced land portfolio with a supply of owned land of c. 3.5 years and a further c. 1.0 year of controlled land. Our target for a shorter than sector average land bank reflects our focus on ROCE and a rapid asset turn. At 30 June 2016 we achieved this target with a 4.5 years land supply (excluding JV's) comprising 3.4 years owned land and 1.1 years controlled land, with the owned land bank including land with both outline and detailed planning consents.

Following our success with planning over the past 12 months we are very well positioned, with 99.7% of expected FY17 completions (2015: 100% of FY16 completions) having outline or full planning consent.

<sup>1</sup> Site ROCE on land acquisition is calculated as site operating profit (site trading profit less sales overheads less allocated administrative overheads) divided by average investment in site land, work in progress and equity share.

## Improving efficiency and reducing costs

Improving the efficiency of our operations and controlling costs continues to be a high priority for the Group, as it will further enhance margin. Efficiency can be improved through increasing throughput, as we have done in the year, but we are also focused on improving efficiency through business simplification including further standardisation of our layouts and product range and through driving process efficiency across key aspects of our business, with wide-ranging reviews underway, for example in the areas of commercial, construction and sales and marketing.

We have a robust and carefully managed supply chain with 90% of the house build materials sourced by our centralised procurement function denominated in Sterling. We have effectively sourced the raw materials required to underpin our controlled volume growth and the cost of c. 75% of our centrally procured materials is now fixed until the end of FY17.

Whilst we have seen an increase in the supply of skilled sub-contractors over the past year, there remains an industry shortage in the UK, with increases in labour costs remaining the largest driver of overall build cost inflation. We are currently well placed with the necessary labour to meet our operational and quality requirements. We are also seeking to increase efficiency through the use of timber frame on over 1,300 plots during FY17 and through the use of alternative offsite manufacturing options.

We expect that overall build cost inflation for FY17 will be c. 2-3%.

## Commercial developments

Greater occupier confidence in the second half of calendar 2015, particularly from within the logistics sector, encouraged institutional funding back into the market enabling us to enter into agreements to commit to over 1 million sq. ft. of speculative forward funded logistics buildings.

During the year we successfully secured a planning permission for a Regional Distribution Centre on a parcel of strategic land that we subsequently sold to a supermarket group. We also completed the final phase of our retail and leisure scheme at Hinckley. This final phase is 80% let and further transactions are in legals.

As we move forward we will continue to carefully manage our risk profile by seeking to secure forward commitments; accordingly our activity levels are very much determined by securing occupiers up front, which in turn is governed to a large extent by sentiment and occupier confidence.

Commercial development revenue was £81.9m (2015: £57.2m) with an operating profit of £6.0m (2015: £6.1m).

Chief Executive's statement *continued*

Graphic removed

Aspect is a new development in Antlaby, East Yorkshire, with a fabulous selection of luxury 3, 4 and 5 bedroom homes in a highly desirable village.

Going forward our commercial division will continue to work closely with our housebuilding business to develop mixed-use schemes, and will seek to develop independent commercial schemes where they can be forward funded by third parties prior to commencement.

**Our strategic objectives**

Our strategic objectives remain clear – maintain disciplined growth, improve our key financial metrics and continue to deliver attractive cash returns.

**Our key financial metrics**

Our gross margin was broadly flat at 18.9% (2015: 19.0%) with an improvement in margin arising from the reduction in the mix of legacy assets, offset by adverse business mix and other net impacts. Operating margin grew by 0.5 ppts, from 15.3% to 15.8%, reflecting improved overhead leverage levels and an absolute fall in net administrative expenses.

We have made further good progress against our ROCE objective in the year with ROCE increasing by 3.2 ppts to 27.1% (2015: 23.9%). This is benefiting from the absolute reduction in legacy assets: the disposal of £85.4m of loans arising from equity share programmes early in our second half for £82.9m of cash has contributed. We have also been successful in driving business capital levels ahead of growth in working capital levels, reflecting our effective balance sheet discipline. It remains a core part of our strategy to drive ROCE performance further, in line with our fast asset turn model.

We remain committed to delivering our FY17 targets of at least 20% gross margin and at least 25% ROCE.

**Maintaining an appropriate capital structure**

As at 30 June 2016 the Group had a net cash balance of £592.0m (2015: £186.5m), reflecting a strong financial year. This was ahead of expectations, partly driven by our completion volumes and the timing of land payments. We also benefited from timings of other working capital payments.

We seek to defer payment for new land where possible to drive a higher ROCE, and land creditors as at 30 June 2016 were 38% of the owned land bank (30 June 2015: 35%).

The Group continues to maintain a balanced capital structure with land and long term work in progress funded by shareholders' funds and land creditors. Net tangible assets were £3,118m (£3.11 per share) of which land net of land creditors and work in progress totalled £3,180m (£3.17 per share).

We continue to secure attractive deferred payment terms on land and expect land creditors as a proportion of the owned land bank to be around one-third at 30 June 2017, in line with our operating framework.

**Dividend**

Our strong financial performance supports the Group's Capital Return Plan and dividend policy. We are delighted to propose a final dividend of 12.3 pence per share (2015: 10.3 pence per share) resulting in a total ordinary dividend for the year up 21% to 18.3 pence per share (2015: 15.1 pence per share) and the second of our special dividends totalling £125m, equivalent to 12.4 pence per share, payable in November 2016. This reflects our ordinary dividend policy of the dividend being covered three times by earnings, supplemented by the special dividends to November 2017 totalling £400m.

**Health and safety**

We were deeply saddened that two employees of our sub-contractors lost their lives in separate incidents on two of our sites during the year. Both of these incidents have been thoroughly investigated by our internal health and safety (SHE) team. We are fully co-operating with the Health and Safety Executive during their ongoing investigations into each of the incidents.

Increased activity levels across the industry in terms of site openings and production volumes combined with shortages of skilled staff has contributed to an increased risk of accidents on sites. We remain fully committed to the highest standards of health and safety upon our sites. In the year, our reportable incident rate has increased slightly with 385 (2015: 381) reportable incidents per 100,000 employees.

## Our priorities

We believe that a strongly performing business benefits from a focus on its wider priorities which for us are: Customer First, Great Places, Leading Construction and Investing in our People. Each of these priorities has a work plan to drive improvements across the business and they are supported by a set of principles and financial discipline which underpins all of our operations.

Graphic removed

### Customer first

We place customers at the heart of our business by building outstanding homes and anticipating the changing needs of home buyers.

We are the only major national housebuilder to achieve the HBF 5 Star Customer Satisfaction rating for seven consecutive years, with over 90% of customers being prepared to recommend us to a friend.

We continue to improve the quality and efficiency of the way in which we deal with customers through the sales process. During the period we invested in our customer service systems to speed up and improve the efficiency of our service.

We worked with suppliers, customers and industry experts to produce the 'Future Home Report' to inform design direction in terms of customer trends and preferences. As well as carefully defining customer segments and their design preferences, our project with The Architects' Journal to select new house design features to meet these requirements concluded in the year.

Graphic removed

### Great places

A key focus of our business continues to be building relationships with landowners to ensure that we can acquire the right land and then create outstanding places to live. Our objective is to be the partner of choice for landowners by demonstrating our ability to achieve planning permission and create value.

During the period we made significant progress in terms of securing the right operational land and increased investment in longer term strategic sites.

We continue to focus upon design and all of our developments are reviewed against our 'Great Places' design standard at the pre-application stage. 'Great Places' enables us to meet Building For Life 12, the industry standard for the design of new housing developments.

Graphic removed

### Leading construction

We continue to be focused on a 'right first time' approach as the most efficient way of operating across all aspects of our building processes with a continuous focus on improving build quality which will reduce remedial costs and improve customer satisfaction.

We are implementing a number of key initiatives in terms of increasing construction efficiency, for example we have built 988 timber frame homes in FY16.

Our site managers continue to lead the industry and in 2016 we won 79 NHBC Pride in the Job Awards. This was the 12th year in succession that our site managers have won more of these awards than any other housebuilder.

Graphic removed

### Investing in our people

The building and construction industry continues to face a shortage of skilled workers and attracting and retaining the best people is an important priority for the business. We aim to have a diverse workforce that reflects the communities in which we operate, delivering excellence for our customers and business by drawing on a broad range of talents, skills and experience.

We have continued with our graduate and apprentice programmes, with 268 employees joining us on these programmes in this period.

We also continue to support the wider industry focus on addressing the skills shortage.

Chief Executive's statement *continued*

The sales performance of the group has been positive, with 0.75 net private reservations per active outlet per average week, as compared to 0.71 in the comparable period.

**Current trading**

The sales performance of the Group has been positive, with average weekly net private reservations since 1 July 2016 of 267 (FY16: 265), resulting in net private reservations per active outlet per average week of 0.75 (FY16: 0.71). Regionally, trading conditions in the North and Midlands have been stronger than those seen in the South.

Our total forward sales (including JV's) as at 4 September 2016 were up 4.1% on the strong prior year figures at a value of £2,416.5m (6 September 2015: £2,321.9m), equating to 11,364 plots (6 September 2015: 10,755 plots).

Forward sales	4 September 2016		6 September 2015		Variance %
	£m	Plots	£m	Plots	
Private	1,545.9	4,723	1,332.3	4,788	16.0
Affordable	707.4	5,957	512.2	4,487	38.1
Sub total	2,253.3	10,680	1,844.5	9,275	22.2
JV	163.2	684	477.4	1,480	(65.8)
<b>Total</b>	<b>2,416.5</b>	<b>11,364</b>	<b>2,321.9</b>	<b>10,755</b>	<b>4.1</b>

We expect FY17 wholly owned completions to grow modestly versus the comparable period, with around 700 completions delivered through our JV portfolio.

**Outlook**

We have started the new financial year in a good position, with £592.0m year end net cash, a healthy forward order position and an experienced management team in place. We have industry leading quality and customer service, and talented employees. There remains an undersupply of new homes, strong government support including Help to Buy (Equity Loan), and a mortgage market willing to lend. As a result, we remain confident in the underlying fundamentals of both the housing sector and our business.

Our sales trends since the start of the new financial year have been encouraging, and underpin an increasingly 'business-as-usual' stance whilst we continue to monitor consumer, economic and other lead indicators closely following the EU referendum vote.

I am proud to lead our first class team and we are all determined to build on this year's outstanding operational and financial performance in the future, as well as delivering on our targets for key financial metrics and our capital return plans in FY17.

David Thomas  
Chief Executive

6 September 2016

**Strategic Priorities**

<p>Graphic removed</p> <p><b>Customer first</b></p> <p>+</p> <p>See page 20</p>	<p>Graphic removed</p> <p><b>Great places</b></p> <p>+</p> <p>See page 24</p>	<p>Graphic removed</p> <p><b>Leading construction</b></p> <p>+</p> <p>See page 28</p>	<p>Graphic removed</p> <p><b>Investing in our people</b></p> <p>+</p> <p>See page 32</p>
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**Our principles**

Keeping people safe

+

See page 36

Being a trusted partner

+

See page 37

Building strong community relationships

+

See page 38

Safeguarding the environment

+

See page 39

Ensuring the financial health of our business

+

See page 40

**Delivering sustainable shareholder value**

Graphic removed

Building excellence by putting  
**Customers first**

Graphic removed

## Strategic priority

**Our priority is building great homes and providing an outstanding customer experience. We seek to anticipate our customers' evolving needs by continuously improving the homes and places we build.**

### Key highlights

Only national housebuilder to be awarded HBF 5 Star status for seven consecutive years

Continued investment in customer service

Mortgage market remains good

### KPI

HBF 5 Star Homebuilder

Graphic removed

### The challenge

Britain needs more homes to address its housing shortage, with continued demand in the market and continued undersupply of new homes. Home buyers are supported by a good mortgage market in terms of both availability and rates, as well as the Government's Help to Buy (Equity Loan) scheme in England, Scotland and Wales.

The industry is seeking to increase volumes, maintain customer satisfaction and build quality and at the same time address the constraint created by a shortage of skilled people.

Priorities and principles in action  
**Customer first**



We place customers at the heart of everything we do, with their satisfaction being a key performance indicator at all levels of management.

**2,707**

We delivered 2,707 (2015: 2,853) affordable homes built for registered providers

Graphic removed

Mr and Mrs Atkinson purchased a three bedroom home at Garnett Wharfe, Otley.

**Affordability of homes and accessibility to home ownership**

We build a wide range of product, from homes for first time buyers to larger family homes. Our private average selling price for the year was £289,800 (2015: £262,500); £275,000 (2015: £246,800) outside of London.

During the year, the mortgage market remained positive. Our customers have access to mortgage finance that allows them to buy with a 5% deposit through the Help to Buy (Equity Loan) scheme and there is also a range of higher loan to value products which do not use the Help to Buy scheme available. We continue to work with a broad set of lenders through our approved brokers to ensure that our customers have access to independent advice and a wide range of mortgage products.

We delivered 2,707 (2015: 2,853) affordable homes built for registered providers, equating to 17% (2015: 18%) of our total completions (excluding JV's) in the year. We have a team which engages with housing association partners at local, regional and national levels.

### Customer satisfaction

We place customers at the heart of everything we do, with their satisfaction being a key performance indicator at all levels of management. All of our team are responsible for delivering customer satisfaction and we operate a Customer Service Academy comprising both classroom and online training to ensure that our employees understand how to deliver right first time, every time.

We are pleased that we have increased our completions delivery, including JV's, by 5.3% during the year whilst retaining our HBF 5 Star status for the seventh successive year, the only national housebuilder to do so. We regularly review the results from the NHBC customer survey with the insights gained being used to aid our decision making.

We continue to drive customer service, investing in technology from developments to our customer service systems and our onsite systems to aid our quality control inspections. Each home we build is repeatedly inspected at key stages and, as a minimum, is approved by the site manager, contracts manager and sales staff before handover to our customers. Management throughout the business are responsible for customer service and monitor customer satisfaction survey performance on a weekly basis.

### Increasing customer insight

To ensure that we continuously reflect our customers' needs we have worked with suppliers, customers and industry experts to produce the 'Future Home Report' to inform design direction in terms of customer trends and preferences. As well as carefully defining customer segments and their design preferences, our project with The Architects' Journal to select new house design features to meet these requirements concluded during this financial year.



We are pleased that we have increased our completions delivery, including JV's, by 5.3% during the year whilst retaining our HBF 5 Star status for the seventh successive year, the only national housebuilder to do so.

Logo removed

Graphic removed

Mr and Mrs Patel purchased a beautiful five bedroom home at our prestigious David Wilson Homes, Cane Hill Park development using the part-exchange scheme.

Graphic removed

Graphic removed

Building excellence by developing  
**Great** places

## Strategic priority

Our priority is building long term relationships to secure good value land where people aspire to live. We design developments which look great, are a pleasure to live on, and will enhance local communities for years to come.

## Key highlights

Land market remained attractive throughout FY16

Transformation of our land bank to more recently acquired higher margin land is well progressed

Detailed or outline planning permission on 99.7% of FY17 expected completions and 94.2% of FY18 expected completions

## KPI

Owned and controlled land bank

**4.5 years**  
(2015: 4.5 years)

Graph removed

## The challenge

The future of our business depends upon securing the right land in the right place that achieves our investment hurdle rates.

Priorities and principles in action *continued*  
Great places



Designing great places is fundamental to our business: our customers want to live in great places.

37.0%

ROCE on completed new sites acquired since 2009

c. 11,700

Acres of strategic land  
(2015: c. 11,100)

### Securing the best land

We continue to see high quality land opportunities that at least meet our required hurdle rates of a gross margin of 20% and a site ROCE of 25%<sup>1</sup>.

Our success in buying land is based on the extensive local knowledge of our divisional land teams and strong local relationships with land owners, combined with detailed assessments of local market conditions. We target locations based on the availability of land, housing market conditions and the likelihood of obtaining planning consent.

We continue, under normal market conditions, to target a regionally balanced land portfolio with a supply of owned land of c. 3.5 years and a further c. 1.0 year of controlled land. Our target is for a shorter than sector average land bank reflecting our focus on ROCE and a rapid asset turn. At 30 June 2016 we achieved this target with a 4.5 year land supply (excluding JV's) comprising 3.4 years owned land and 1.1 years controlled land, with the owned land bank including land with both outline and detailed planning consents.

### Land approved for purchase

	Year ended 30 June 2016	Year ended 30 June 2015
Total	£1,095.6m	£957.0m
Total (plots)	24,387	16,956

<sup>1</sup> Site ROCE on land acquisition is calculated as site operating profit (site trading profit less overheads less allocated administrative overheads) divided by average investment in site land, work in progress and equity share.

Graphic removed

Mount Oswald, Durham offers a premium collection of 60 bespoke homes with spectacular views of the surrounding woodland and open areas.

### Our land bank

The transformation of our land bank from older, lower margin land to more recently acquired higher margin land is well progressed. As at 30 June 2016, 93% (30 June 2015: 90%) of our owned and controlled land is higher margin, newer land. On the 232 sites that we have acquired and completed since 2009 we have achieved an average site gross margin of 20.9%, and an average site ROCE of 37.0%, demonstrating sustained delivery above our hurdle rates on this more recently acquired land.

Whilst maintaining a first class operational land bank, we remain focused on securing a longer term land pipeline through the acquisition of strategic land options. In the year 4,558 plots (2015: 5,239 plots) were transferred from strategic land to our owned land bank and 22% of our completions (2015: 17%) during the year were on strategically sourced land. We remain on track to deliver our target of c. 25% of completions to be delivered from strategic land.

We use land creditors to defer payments for land acquisition where possible to drive a higher ROCE and as at 30 June 2016, the land creditor position totalled £1,086.8m (30 June 2015: £999.0m) representing 38% (30 June 2015: 35%) of the owned land bank. We are targeting land creditors at around one-third of the owned land bank for FY17.

### Effective planning permission

Bringing land through the planning system quickly and into production is important to support our business objectives. We support the work the Government is currently doing to speed up the planning process, in particular in relation to quicker resolution of planning conditions which can hold up prompt progress. A faster planning process will enable housing supply to increase faster.

We have maintained good momentum in achieving planning consents, and during the year we secured planning on 20,249 plots (2015: 17,092 plots). We now have full or outline planning permission in place for 99.7% of our expected completions in FY17 and 94.2% of expected production in FY18.

### Designing great places

Designing great places is fundamental to our business: our customers want to live in great places; the vendors of the land we purchase want to work with developers who leave behind a legacy of design quality; and local people want developments that enhance their communities.

We are focused upon 'placemaking' throughout our business and use our internal 'Great Places' design standards, assessing every development against these at the pre-application stage. Our 'Great Places' design standards are aligned to the requirements of Building for Life, and we run annual awards to recognise our best developments. We also review our development layouts to ensure they achieve both design quality and efficient land use, and have an internal urban design team to provide specialist expertise.

### Our land bank

	30 June 2016	30 June 2015
Owned and unconditional land bank (plots)	53,849	51,640
Conditionally contracted land bank (plots)	17,502	18,883
Owned and controlled land bank (plots)	71,351	70,523
Number of years' supply based upon completions in the financial year	4.5 years	4.5 years
JV's owned and controlled land bank (plots)	5,309	6,325
Strategic land (acres)	c. 11,700	c. 11,100
Land bank carrying value	£2,880.2m	£2,826.1m

Graphic removed

Located in the picturesque village of Tettenhall is Woodthorne, a beautiful new development sitting amongst mature trees and wonderful green open space.

Graphic removed

Building excellence by  
**Leading** construction

Graphic removed

## Strategic priority

We deliver the highest quality homes by focusing on excellence across all aspects of construction. We are embracing the best new methods of on and offsite construction to increase build efficiency.

### Key highlights

Focused on a 'right first time' approach to drive operating efficiency

Long term relationships with suppliers and sub-contractors

Considering and implementing new construction methods where appropriate

### KPI

Total completions including joint ventures (units)

**+5.3%**

Graphic removed

### The challenge

The housing shortage has increased demand for the building of new homes, which has resulted in pressures upon the availability of materials and skilled labour and sub-contractors.

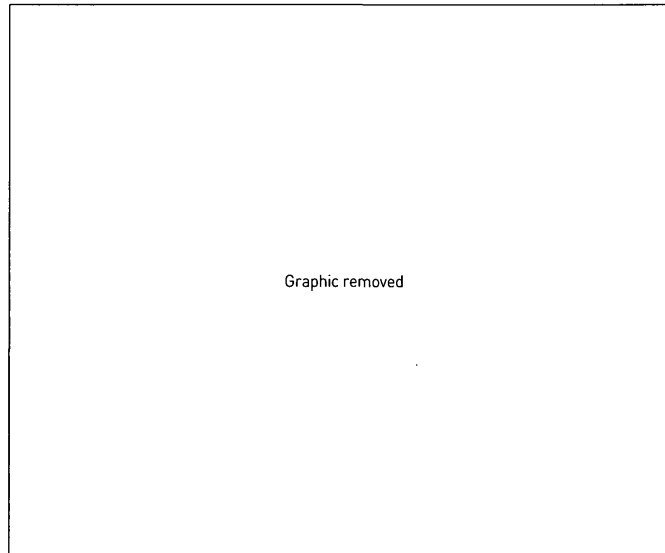
Priorities and principles in action *continued*  
**Leading construction**



We put customer satisfaction at the heart of our construction processes with a focus upon getting it right first time.

79

NHBC Pride in the Job Award winners for 2016



David Wilson Homes East  
 Midlands' 10 Pride in the Job  
 Award Winning Site Managers.

#### Delivering high quality homes

We put customer satisfaction at the heart of our construction processes with a focus upon getting it right first time, which also drives operating efficiencies in the build process. Our site managers continue to lead the industry, winning 79 NHBC Pride in the Job Awards. This is the 12th consecutive year that we have won more of these awards than any other housebuilder.

#### Partnering with our supply chain

We have a centralised procurement team which has built long term relationships with our suppliers. This ensures the consistency of specification and technical performance of the materials used in our homes. Long term relationships have enabled us to ensure the continuous availability of materials as demand increased. We also use many local sub-contractors in the construction of our homes, who our divisions partner with at a local level to ensure the availability of the skilled trades that we require.

We engage in continuous communication with our suppliers and hold regular performance and business reviews, training days and an annual supplier conference. We are a signatory of the Prompt Payment Code.

We purchase substantial amounts of timber and have implemented a sustainable procurement and timber sourcing policy. Since December 2013, all timber and timber products that we purchase via group agreements are FSC/PEFC certified and originate from well managed forestry sources. Further information is available in the Sustainability Report for 2016.

### Innovating to improve efficiency

The majority of our homes are built with traditional brick and block construction, although we are increasing the use of timber frame on some of our sites and have built 988 homes using this method during FY16. We have also completed a successful small scale trial of Light Gauge Steel Frames which are lighter, safer and quicker to put together than traditional construction methods. In addition, as the parts are manufactured offsite, the level of waste generation is reduced. We will be undertaking a larger scale trial of this technology in FY17.

Another offsite technology that we have successfully trialled, in FY16, is the use of prefabricated utility cupboards, with pre-installed features such as boilers, storage tanks and heating controls. These take 1-2 hours to install rather than a whole day, enabling us to make better use of skilled tradespeople and increase build speed.

We have engaged with our suppliers to find, understand and consider innovative products and services including foundation systems, roofing and mechanical and electrical solutions.

We are also researching smart technologies and their use in future homes to improve the ability of customers to save energy and have undertaken divisional pilots of smart thermostats, which give customers the ability to remotely control their heating systems. We will be extending their availability to customers in FY17.



We are also researching smart technologies and their use in future homes to improve the ability of customers to save energy.

# 988

Timber frame homes built in FY16

Graphic removed

Kirk Raine, Webbs Meadow Site Manager – Winner of the NHBC Supreme Large Housebuilder Pride in the Job Award for 2015.

Graphic removed

With over 200 metres of Thames river frontage, Enderby Wharf offers studios and one, two, three and four-bedroom apartments and penthouses, each with floor-to-ceiling windows and private outdoor space.

Graphic removed

Graphic removed

Building excellence by  
Investing in **our people**

Suzanne Flynn  
Graduate and Future Talent Manager  
2015 Barratt Individual Excellence  
Award Winner

## Strategic priority

We aim to attract and retain the best people by investing in their development and success. We seek to create a great place to work, founded on an open and honest culture that embraces diversity and inclusion.

### Key highlights

Focus upon employee retention

Highly engaged workforce

Committed to providing an inclusive working environment

### KPI

Upper quartile employee engagement

**77%**

(2015: 78%)<sup>1</sup>

### The challenge

The building and construction industry continues to face a shortage of skilled workers and attracting and retaining the best people is a key priority for our business.

<sup>1</sup> Assessed against the UK all sectors comparator group by IBM Kenexa.

Priorities and principles in action *continued*  
**Investing in our people**



We continue to invest in and develop our 'Future Talent' strategy, recruiting graduates, apprentices and paid interns into our business.

17%

Employee Turnover  
(2015: 19%)

268

Number of graduate and apprentice programme employees

#### Attracting people to our industry

Together with other housebuilders we are working with the HBF, the Construction Industry Training Board and schools, universities and the West Midlands University Technical College (UTC) upon targeted projects to help address the industry-wide skills shortage.

#### Employee retention

During the year employee turnover reduced by 2% to 17% (2015: 19%) reflecting our focus in this area. However, there is significant demand and many opportunities for skilled employees elsewhere in the industry. We therefore continue to focus upon developing talent within our business, including succession planning, to ensure that we have the necessary skills within our business for continued operational delivery as well as focusing on remuneration and benefits to ensure retention measures are in place and effective.

#### Developing talent

We are committed to the development of our people in order to drive our success. We offer both vocational and leadership training programmes, as well as in-house schemes promoting employee development, engagement and recognition.

We continue to invest in and develop our 'Future Talent' strategy, recruiting graduates, apprentices and paid interns into our business. We have local Apprentice Champions who oversee the apprenticeship experience from attracting new trainees, to working with our sub-contractors and aiding our apprentices' development.

Our South Wales Division took on the Welsh 3 Peaks challenge, raising £7,942 for their charity of the year.

Graphic removed

The Barratt Academy continues to provide structured, bespoke training to support individual development across three separate disciplines; apprentices, site managers and technical/commercial roles. Courses combine professional training (onsite and in the classroom) with industry recognised qualifications.

#### Engaging our people

As a business we believe that an engaged workforce is critical to our success. We conduct an annual employee engagement survey in order to gain valuable insight into how our people feel about working for us. We are delighted that in our annual employee engagement survey we achieved our upper quartile target with an index of 77%, which is 5% above the UK employers' norm of 72%. We develop and implement action plans following each survey to strengthen our business and to continue our position of being an employer of choice.

We recognise the outstanding contributions of our people through quarterly awards for sales staff, apprentices and site managers as well as through individual and team excellence awards.

#### Diversity and inclusion

We are committed to providing an inclusive working environment where everyone feels valued and respected. We aim to have a diverse workforce that reflects the communities in which we operate, delivering excellence for our customers and business by drawing on a diverse range of talents, skills and experience.

The table opposite shows the number of men and women employed, as at 30 June 2016, across our business split between PLC Directors, Senior Managers and employees.

The diversity policy relating to the appointment of PLC Directors is set out on page 65 of the Annual Report and Accounts.

After a successful pilot last year, we have started diversity and inclusion training across our business, which we will continue to rollout during FY17. Our 2015 graduate cohort have also been promoting a campaign called 'Built by Both' to encourage women into the industry and have held a number of work experience days for women studying at universities.

#### Human rights

We support the United Nations' Universal Declaration of Human Rights and have policies and processes in place to ensure that we act in accordance with our principles in relation to areas such as anti-corruption, diversity, whistleblowing and the requirements of the Modern Slavery Act 2015.

#### Men and women employed

	30 June 2016						30 June 2015			
	Men		Women		Total	Men		Women		Total
	Number	%	Number	%	Number	Number	%	Number	%	Number
PLC Directors	7	78	2	22	9	6	75	2	25	8
Senior Managers	251	87	36	13	287	250	87	37	13	287
Employees	4,103	69	1,810	31	5,913	3,875	68	1,801	32	5,676
<b>Total workforce</b>	<b>4,361</b>	<b>70</b>	<b>1,848</b>	<b>30</b>	<b>6,209</b>	4,131	69	1,840	31	5,971

Graphic removed

Jordan Brown  
2015 Barratt Apprentice  
of the Year.

## Our principles

### Keeping people safe

#### Our principle

We are committed to achieving the highest industry health and safety standards. Health and safety is a key principle for which all of our people are responsible.

#### KPI

- > Health and safety compliance rate 96% (2015: 96%)<sup>1</sup>
- > Reportable injury incidence rate per 100,000 employees including sub-contractors 385 (2015: 381)

Graph removed

Graph removed

#### Key highlights

- > Achieved target health and safety compliance rate
- > Positive external recognition for our performance from NHBC and British Safety Council

<sup>1</sup> Key performance indicator used to assess performance for annual incentive scheme.

Sury Patel  
Project Manager at  
Barratt London and  
SHE award winner.

Graphic removed

#### The challenge and our response

Increased activity levels across the industry in terms of site openings and production volumes combined with shortages of skilled staff has contributed to an increased risk of accidents on sites. We seek to maintain stringent safety standards and have a continuous focus on health and safety. Getting the basics right, good leadership, and commitment to health and safety from all levels of management is what delivers good health and safety performance in our business.

Our Safety, Health and Environmental management system ('SHE') is subject to continuous review and improvement. All of our trading divisions are certified to OHSAS 18001 (Occupational Health and Safety Management Systems) and adhere to our SHE guidelines with their ongoing compliance being verified by a programme of internal and external audits. During the year, we carried out 6,184 (2015: 6,269) monitoring visits and achieved an average compliance rate of 96% (2015: 96%). We also maintained our 5 Star rating from the British Safety Council for the second year in succession.

Graphic removed

Our overall aim is to have an injury free working environment, and whilst we believe that all injuries are avoidable, our objective for the year was to have an improvement in our reportable Injury Incidence Rate ('IIR'). During the year, our IIR increased slightly to 385 (2015: 381) per 100,000 persons employed (including sub-contractors). We have continued to operate our 5 Steps to Safety Campaign and during the year have reviewed and restructured our health and safety training strategy for employees at all levels within our business, in order to continue to seek to improve our performance.

Our site managers have again been successful at the NHBC Health and Safety Awards, achieving more awards than any other housebuilder, with nine commendations and five going on to receive the highly commended status.

We were deeply saddened that two employees of our sub-contractors lost their lives in separate incidents on two of our sites during the year. Both of these incidents have been thoroughly investigated by our internal health and safety (SHE) team. We are fully co-operating with the Health and Safety Executive during their ongoing investigations into each of the incidents.

## Being a trusted partner

### Our principle

We build meaningful, long term relationships that make us the developer of choice for our partners. We are innovating with our supply chain to drive efficiency and meet our customers' needs.

### Key highlights

- Continue to work with a variety of partners to bring forward land for development
- Continue to invest in the relationship with our suppliers and sub-contractors

### The challenge and our response

Housebuilding is a long term business and the development of sustained business partnerships with landowners, suppliers and sub-contractors, is critical to our success.

We continue to work with private landowners, operators and agents to identify and bring forward land for development. Divisional land teams continue to work hard to try and ensure we are regarded as the housebuilder of choice by the local landowners and agency community.

Our suppliers and sub-contractors are critical to the delivery of our strategic objectives and we invest in our relationships with them. We hold a national supply chain conference and regular review meetings with our suppliers and seek to develop long term business relationships. We also work with our suppliers to help them to introduce the new technologies that we need to meet increasingly challenging building standards. We also work with our sub-contractors to help them to improve their environmental and safety performance.

Graphic removed

Georgina McLean  
Group Procurement Manager – who has taken the lead on the partnership relationship building with the Supply Chain Sustainability School, supporting a diverse, capable supply chain who can help us achieve our sustainability goals.

Our principles *continued*

## Building strong community relationships

### Our principle

We engage fully with local communities and customers when creating new developments. We seek to ensure that our work creates a positive legacy that helps local communities to thrive.

### Key highlights

- Estimated that our activities support over 55,000 jobs directly, indirectly or induced in the economy
- Work closely with local authorities
- Actively engage with local communities

### The challenge and our response

Housebuilding has a direct impact upon local communities. It is therefore important that they are engaged in the creation process and that our development creates a positive legacy.

As a Group we contribute social and economic benefits to the communities in which we are working, which are far-reaching and long-lasting. By building more homes we are generating substantial amounts of economic activity and we estimate that during the year we supported over 55,000 jobs either directly, indirectly or induced. The homes we build for new communities are high quality: for example, the average size of new private homes sold in the year by Barratt was 1,114 sq ft, 12% larger than the average UK home<sup>1</sup>.

<sup>1</sup> Based on 2012/13 English Housing Survey.

We work closely with local planning authorities to negotiate and deliver or fund social infrastructure such as highways and public transport improvements, new schools and school places, sports facilities and medical centres.

Engagement with local communities to seek to address any impact that our developments may have on the environment is also important. By holding public consultations, we invite stakeholders to talk to our specialist planners and architects about their concerns and aspirations for our developments. We believe that a genuinely collaborative approach will deliver more land and housing and in this regard 62% (2015: 54%) of our active developments have held a public consultation.

We continue to support and promote a wide range of charitable giving and community volunteering initiatives with each division focusing on the charitable activities that best reflect the needs of their local community and the issues that impact upon their employees. We have launched a Charity of the Year Scheme, where we match every pound raised for each division's charity of the year up to a set maximum. Our employees have raised £603,776 for charity this year, including £46,402 donated by Barratt through the Charity of the Year Scheme. In addition we have launched a volunteering policy whereby every employee can take one day's paid leave to volunteer for a charity of their choice.

Graphic removed

Children from Allington Primary School visit The Orchards development to find out just what it takes to design and plan a community of new homes.

Graphic removed

St James C of E Primary School pupils were given a tour of Ribble Meadow, Clitheroe by our mascot Barry Barratt.

## Safeguarding the environment

### Our principle

We strive to minimise the environmental impact of our operations and supply chain, which increases the energy and resource efficiency of our homes. We seek to enhance habitats, biodiversity and local environments across all of our developments.

### KPI

- > 95% of construction waste segregated onsite for recycling (2015: 95%)
- > Carbon intensity reduced by 5.5% to 2.23 tonnes CO<sub>2</sub> per 1,000 sq. ft. (2015: 2.36 tonnes)

Graph removed

### Key highlights

- > Focused on waste reduction through reducing waste generation

### The challenge and our response

As the demand for new housing increases, we recognise the need for our business to become more resource and energy efficient and to produce less waste and generate fewer carbon emissions. All of our divisions are certified to ISO 14001, the environmental management standard.

#### Designing out construction waste

During the year, we have been focusing upon waste elimination and seeking to significantly reduce both waste tonnage and costs, rather than increasing recycling rates.

A key to waste reduction is designing waste out and one area where we have been successful is plasterboard. We engaged with other members of our industry and worked with our supplier to re-size plasterboard to meet the requirements of modern builds. This means that 100mm no longer needs to be cut off every plasterboard section, which reduces our costs, and is expected to cut our waste by 1,300 tonnes each year.

We segregate waste for recycling as standard across our sites and have achieved a recycling rate of 95% (2015: 95%) for the year.

### Being energy efficient and reducing emissions

Our direct and indirect operational greenhouse gas emissions are shown in the table below. This is based on the energy used in our offices, on our live developments and for business travel.

Greenhouse gas emissions (Tonnes CO <sub>2</sub> e)	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014
Scope 1 emissions	20,211	18,224	17,315
Scope 2 emissions	10,804	11,843	14,053
Scope 3 emissions	9,303	9,150	8,981
<b>Total</b>	<b>40,318</b>	<b>39,217</b>	<b>40,349</b>
Tonnes of emissions per 1,000 sq. ft.	2.23	2.36	2.78

Our operational greenhouse gas emissions have reduced to 2.23 (2015: 2.36) tonnes of emissions per 1,000 sq. ft. this year. We continue to drive awareness and seek to improve energy and greenhouse gas performance across our business.

### Enhancing habitats, biodiversity and local environments across our developments

During the year we built 48% (2015: 57%) of our homes on brownfield sites. We have continued our national partnership with the RSPB, the UK's largest nature conservation charity. Our 'Great Places' guide includes ecology and biodiversity to help ensure that they are considered from project inception through to completion. During the year within our developments, 521 (2015: 634) hectares of open space were created and 638,136 (2015: 554,819) trees or shrubs were planted or retained.

Graph removed

DeVessey Village, a beautiful development of three, four and five bedroom homes, surrounded by woodland and next door to Sleaford Golf Course.

Our principles *continued*

## Ensuring the financial health of our business

### Our principle

Our people take individual responsibility appropriate to their level of seniority for driving the financial management and performance of the business. We maintain financial discipline across all aspects of our operations.

#### KPI

- > Profit before tax £682.3m (2015: £565.5m)<sup>1</sup>
- > Earnings per share 55.1 pence (2015: 45.5 pence)<sup>2</sup>
- > Return on capital employed 27.1% (2015: 23.9%)<sup>2</sup>
- > Total shareholder return<sup>2</sup> for the three years ended 30 June 2016 88.7% (three years ended 30 June 2015: 362.9%)
- > Year end net cash £592.0m (2015: £186.5m)
- > Land creditors as a percentage of owned land bank 38% (2015: 35%)

### Key highlights

- > Continued to build profitability, increasing operating margin by 0.5 ppts to 15.8%
- > Achieved a 3.2 ppt increase in ROCE to 27.1%
- > On track for our targets of at least 20% gross margin and at least 25% ROCE
- > Maintained an appropriate capital structure

<sup>1</sup> Key performance indicator used to assess performance for annual incentive scheme.  
<sup>2</sup> Key performance indicator used to assess performance for long term incentive schemes.

### Our performance

Our strategic objectives remain to maintain disciplined growth, deliver on our targets for key financial metrics and continue to deliver attractive cash returns.

We have made significant progress on these objectives during the year, achieving a 5.3% growth in completion volumes, a 20.7% increase in profit before tax, a 3.2 ppt improvement in ROCE to 27.1% and are proposing a 22.3% increase in total dividend per share, including special dividend, to 30.7 pence per share for the financial year.

#### Profit for the year

The improved performance in our housebuilding business resulted in an operating profit of £668.4m (2015: £576.8m) at an operating margin of 15.8% (2015: 15.3%).

The finance charge for the year was £58.2m (2015: £57.0m), consisting of a cash finance charge of £24.1m (2015: £27.4m) and £34.1m (2015: £29.6m) of non-cash charges: the main component of the non-cash charge relates to the unwind of the discount factor from deferred term land creditors.

Profit before tax for the year was £682.3m (2015: £565.5m), the highest profit the Group has ever achieved. The increase of £116.8m was driven by increased completion volumes, growth in average selling prices, an increased contribution from joint ventures and from an increase in sundry income.

The tax charge for the year was £132.0m (2015: £115.2m) at an effective tax rate of 19.3% (2015: 20.4%). The rate of tax assessed for the year is slightly below the standard effective rate of corporation tax of 20.0% (2015: 20.75%) mainly due to land remediation relief and the tax rate reduction on deferred tax.

Profit after tax for the year was £550.3m (2015: £450.3m), resulting in a basic earnings per share of 55.1p (2015: 45.5p).

#### Return on capital employed

The Group's fast asset turn model, supported by a relatively short consented land bank, deferred payment terms, high levels of standard product, and the ability to sell through our David Wilson Homes and Barratt brands on larger sites, is focused on driving ROCE.

For FY16 ROCE increased by 3.2 ppts to 27.1% (2015: 23.9%). This growth benefited from reductions in legacy assets following the disposal of £85.4m of our available for sale assets in the second half of 2016 together with rates of profit growth running ahead of working capital growth rates.

#### Net cash and capital structure

We maintain an appropriate capital structure, with land and long term work in progress funded by shareholders' funds and land creditors, and with net cash at our year end. During the year we generated £652.9m (2015: £184.0m) of cash inflow from operating activities and £12.7m of cash inflow from investing activities. This was in part applied to £268.0m of financing activities: of which £263.2m related to dividends paid during the year. Together with opening cash of £360.4m, the Group's net cash increase in the year of £397.6m led to closing cash of £758.0m and net cash at 30 June 2016 of £592.0m (2015: £186.5m). At 30 June 2016 land creditors were 38% (2015: 35%) of the owned land bank.

The factors behind the strong growth in cash inflow from operating activities include increased profit from operations, £82.9m of cash inflow from the disposal of the bulk of our available for sale assets and favourable movements in trade and other payables.

As we make scheduled payments on agreed new land and build work in progress to deliver spring 2017 completions, we expect net cash at 31 December 2016 to be in line with normal seasonal trends (31 December 2015: £24.2m). It remains our objective for FY17 to maintain an appropriate capital structure with year end net cash and land creditors at around one-third of the owned land bank.

#### Capital Return Plan

The Board proposes to pay a final ordinary dividend of 12.3 pence (2015: 10.3 pence) per share for the financial year ended 30 June 2016, which subject to shareholder approval, will be paid on 21 November 2016 to shareholders on the register at the close of business on 28 October 2016. Together with the interim ordinary dividend of 6.0 pence per share, which was paid in the year, this gives a total ordinary dividend for the year of 18.3 pence per share (2015: 15.1 pence per share). The ordinary dividend was covered around three times by basic earnings per share.

Under the special cash payment programme the Board is proposing a payment of £125.0m (12.4 pence per share), which subject to shareholder approval, will be paid by way of a special dividend on 21 November 2016 to shareholders on the register at the close of business on 28 October 2016. The Board anticipates a further payment of £175.0m to be proposed with our FY17 results payable in November 2017.

In total, the Capital Return Plan is expected to return around £963m of cash through ordinary dividends (based on consensus earnings) and special dividends to the Company's shareholders over the three years ending November 2017.

## Risk management

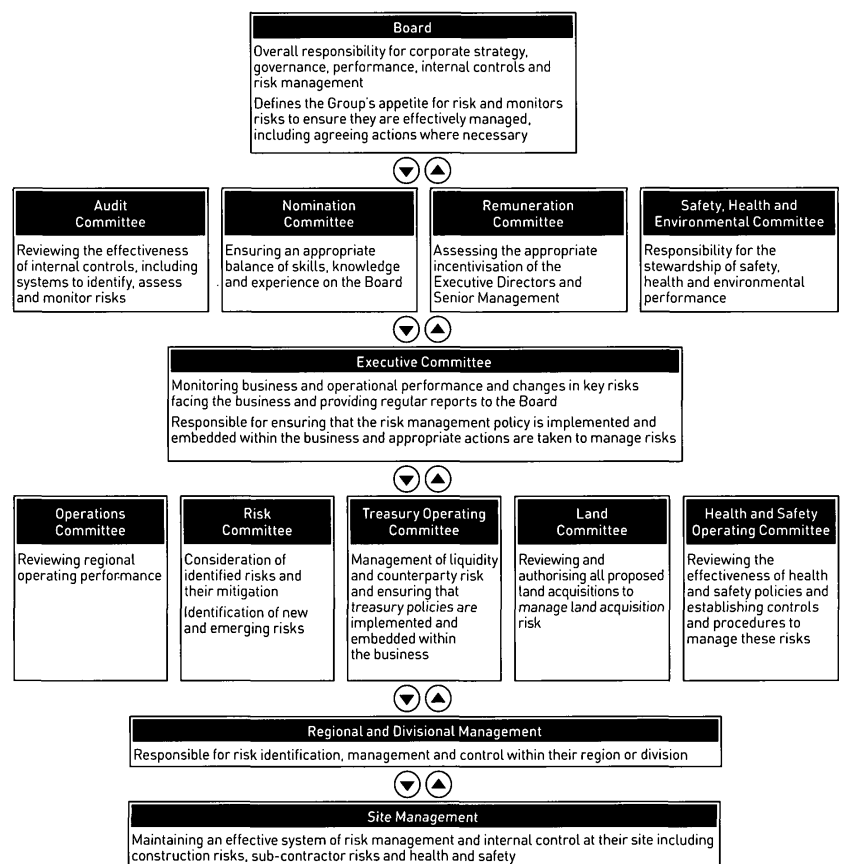
Effective risk management is fundamental to the achievement of our strategic objectives.

Risk management controls are integrated into all levels of our business and across all of our operations. We continually assess our exposure to risk and seek to ensure that risks are appropriately mitigated.

### Roles and responsibilities

The Board is responsible for the overall stewardship of our system of risk management and internal control. It has undertaken a robust assessment of the principal risks in our business and has established the appropriate level of risk that is acceptable in the pursuit of our strategic objectives and has set appropriate policies to govern this. It has also set delegated authority levels to provide the executive framework for assessing risks and ensuring that they are escalated to the appropriate levels of management, including up to the Board where appropriate, for consideration and approval.

The roles and responsibilities of the Board, its committees and all levels of management from a risk management perspective are summarised on this page:



Risk management *continued*

## Why and how our principal risks change

## Principal risks probability

Whilst the Principal Risks for the Group related to the execution of its business strategy have not changed since 2015, the likelihood of the risk factors occurring may have changed. The diagram on this page shows the estimated residual likelihood of each risk following our risk mitigation strategies in both 2016 and 2015. The diagram does not consider the relative size of the associated financial or reputational impacts for each Principal Risk item.

	2015		2016	
	Medium	High	Medium	High
(A) Economic environment, including housing demand and mortgage availability				
(B) Land Purchasing				
(C) Liquidity				
(D) Attracting and retaining high-calibre employees				
(E) Availability of raw materials, sub-contractors and suppliers				
(F) Government regulation and planning policy				
(G) Construction and new technologies				
(H) Joint ventures and consortia				
(I) Safety, health and environmental				
(J) IT				

## Managing risk – health and safety

Maintaining high standards of health and safety is an integral element of the Group's principles and is the number one priority for all our business activities. We have implemented a detailed strategy for continuous improvement in this area which is supported by our well established policy and procedures.

The Group Board Safety, Health and Environmental (SHE) Committee which is chaired by one of our Non-Executive Directors and attended by our Deputy Chief Executive, provides oversight and stewardship of our operational performance. [Refer to the SHE Committee report on page 74 for further information.]

The SHE Operations Committee reports directly to the SHE Board Committee and is responsible for implementing the overall SHE improvement strategy for the Group.

The Group employs an internal team of 23 SHE Managers who assist with operational compliance and monitor our sites at least once per month. They work independently of our operational Divisions and carry out over 6000 monitoring visits to our sites every year. They report on levels of compliance to operational management and an overview of the performance of each operational Division including reportable injuries and near misses, is provided on a monthly basis to our Group Board.

All our operational units are accredited to the international standard OHSAS 18001 and as part of the compliance process are audited internally each year by our in-house team and externally audited by our accreditation body Ocean Certification.

The Group has for the second year arranged for the British Safety Council to carry out a comprehensive review of our management systems and associated arrangements. The audit model evaluates leadership at all levels of the business and continuous improvement which are continually assessed throughout the audit process. The Group achieved a compliance score of 96% and was again awarded the highest five star status. This is an excellent achievement and reflects on our approach to health and safety management throughout the business.

**New risks**

No new principal risks have emerged during the financial year

Increased risk profile	Why?
<b>(A)</b> Economic environment, including housing demand and mortgage availability	Following the vote to leave the European Union [EU] in the recent referendum there is increased uncertainty within the UK economy and it is too early to say what the impact of this will be.
<b>(D)</b> Attracting and retaining high-calibre employees	There is high competition for skilled employees within the housebuilding industry which has been driven by both the growth in industry volumes and the skills shortage within the industry.
<b>(E)</b> Availability of raw materials, sub-contractors and suppliers	A significant proportion of the skilled sub-contractors upon our sites are nationals of other EU countries. Following the vote to leave the EU in the recent referendum, it is too early to say what impact this will have upon the availability of sub-contractors.  Whilst the majority of our raw materials are sourced from UK suppliers, some such as timber, are sourced from outside the UK. In addition, some components contain materials sourced from outside the UK. The decrease in the value of the pound following the EU referendum may, subject to other factors such as demand, lead to an increase in the cost of these materials and components.
<b>(J)</b> IT	There has been an increased level of attempted cyber-attacks against the Group's IT systems during the year.
Decreased risk profile	Why?
<b>(C)</b> Liquidity	The Group's average debt decreased to £60.0m (2015: £271.3m) for the year, resulting in more headroom against the Group's committed facilities.

**Viability Statement**

In accordance with provision C.2.2 of the UK Corporate Governance Code 2014, the Directors have assessed the prospects and financial viability of the Group, taking into account both its current position and circumstances, and the potential impact of its principal risks. The Directors consider that a three-year period is appropriate for this assessment.

The Group's objective is for a shorter than sector average land bank reflecting its focus on return on capital and a rapid asset turn. Our target is a regionally balanced land portfolio with a supply of owned land of c. 3.5 years and a further 1.0 years of controlled land. Accordingly, we consider it appropriate that our viability review period is broadly aligned with the expected longevity of our owned land supply.

By using a three-year timeframe, the Viability Statement review period is also aligned with the Group's bottom up three-year planning and forecasting cycle, during which a wide range of information relating to present and future business conditions is considered, including those impacting on expected profitability, cash flows, and funding requirements.

The Group is subject to a number of Principal Risks (as set out in more detail in pages 44 to 45), and its Viability Statement review considers the impact that these risks (particularly those related to the economy and to mortgage availability) might have on its ability to meet its targets. This is undertaken through the performance of sensitivity testing, using appropriately challenging scenarios which reflect severe but plausible impacts based on current market conditions and applying estimates for the impact of these risks to ensure that the quantified mitigation actions available to it are sufficient. This process involves consideration of the impact of our chosen scenarios on key business drivers, including the volume of legal completions achieved, average selling prices and build costs. Several scenarios are modelled to ensure that the Board can carefully evaluate the range of plausible outcomes being assessed and mitigation factors are based on those identified and successfully deployed during the previous downturn in 2007-2008 following the 'credit crisis'.

Based on this review, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities over this three-year period.

**Managing risk – Addressing the skills shortage**

We continue to invest in our people to ensure that they can maximise their potential, but we are equally focused on the need to attract new talent into our business to address the skills shortages in our industry.

For the medium to long term, we have our Future Talent strategy. Our annual intake of apprentices (trade and professions) and graduates continues. We have made good progress against our 2020 aspiration and have recruited over 900 graduates, trainees and apprentices including those that will join us in 2017. Numbers on our foundation degree in residential development and construction introduced three years ago continue to grow and last year we became patrons of the West Midlands Construction UTC. Providing mentors from our West Midlands division and Group Support Centre. This is the first UTC to offer a construction curriculum and provide students with a work based mentor.

We have launched a schools career toolkit which includes six housebuilding activities linked to the school curriculum, a teachers' and parents' guide and a student guide to promote our professions. Many of our regionally based employees, including our Apprentice Champions, have visited schools and use the toolkit as a way of demonstrating the many careers within housebuilding. The toolkit educates young people on roles and careers advice and provides teachers with material to embed and reference the industry within the curriculum. This is a completely new initiative for the industry and is intended as a resource for influencers (teachers, careers advisers, governors and parents) and students. The toolkit is intended to: challenge industry perceptions, misconceptions and stereotyping, promote the industry as a diverse organisation, challenge the underrepresentation of females in the industry, address the lack of diversity in the workforce, challenge teacher / parent attitudes towards careers in construction.

This supports our diversity and inclusion programme which aims to attract talent from more diverse backgrounds.

In the short term we are actively seeking to recruit talent from other industry backgrounds, and providing transitional training for a career in housebuilding. We have signed up to the Armed Forces Covenant and have launched a site manager transitional training programme for armed forces personnel which allows them to undertake a year's transition programme whilst working as an Assistant Site Manager. We currently employ 28 armed forces personnel and plan to significantly grow this over the period ahead.

We advertise our vacancies on diversityjobs.co.uk and launched a profile page on thebigidea.co.uk which promotes us as an organisation from a diversity perspective. We have launched numerous programmes to help appeal to a wider audience of potential recruits. For example, teaming up with RICS, CBRE and others on our 'Built by Both'

campaign to attract young women professionals into careers in housebuilding; developing a housebuilding app game; and relaunching an enhanced recruitment website.

We are working closely with Construction Industry Training Board (CITB) through the Go Construct project, providing many case studies for them and the HBF which helps to improve the image of our sector as a career choice. This work also includes support to the House Building Skills Partnership which aims to provide new training and qualifications to more than 45,000 new entrants to our sector.

Risk management *continued*

## Principal risks

Risk	(A) (▲) Economic environment, including housing demand and mortgage availability	(B) Land Purchasing	(C) (▼) Liquidity	(D) (▲) Attracting and retaining high-calibre employees	(E) (▲) Availability of raw materials, sub-contractors and suppliers
<b>Potential impact</b>	Changes in the UK and European macroeconomic environments, including but not limited to unemployment, flat or negative economic growth, buyer confidence, availability of mortgage finance particularly for higher loan to values including government backed schemes, interest rates, competitor pricing, falls in house prices or land values, may lead to a fall in the demand or price achieved for houses, which in turn could result in impairments of the Group's inventories, goodwill and intangible assets.	The ability to secure sufficient consented land and strategic land options at appropriate cost and quality to provide profitable growth.	Unavailability of sufficient borrowing facilities to enable the servicing of liabilities (including pension funding) and the inability to refinance facilities as they fall due, obtain surety bonds, or comply with borrowing covenants. Furthermore, there are risks from management of working capital such as conditional contracts, build costs, joint ventures and the cash flows related to them.	Inability to recruit and/or retain employees with appropriate skill sets or sufficient numbers of such employees.	Shortages or increased costs of materials and skilled labour, the failure of a key supplier or the inability to secure supplies upon appropriate credit terms could increase costs and delay construction.
<b>Mitigation</b>	<ul style="list-style-type: none"> <li>&gt; Board, Executive Committee, regional and divisional management review</li> <li>&gt; Quarterly site valuations</li> <li>&gt; Comprehensive sales policies and procedures including transparency towards mortgage lenders</li> </ul>	<ul style="list-style-type: none"> <li>&gt; All potential land acquisitions are subject to formal appraisal and approval by the Land Committee</li> <li>&gt; Divisional, regional and Group review of land currently owned, committed and identified against requirements</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Committed bank facilities and private placement notes of around £850m with maturities ranging from 2016 to 2021</li> <li>&gt; Regular forecasts of working capital and cash requirements and compliance with banking covenants</li> <li>&gt; Policy requiring minimum headroom of £150m of drawings against committed facilities</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Comprehensive Human Resources programme including apprenticeship schemes, a graduate development programme, succession planning and training academies tailored to each discipline</li> <li>&gt; Monthly monitoring of employee statistics including turnover and absence</li> <li>&gt; Exit interviews</li> <li>&gt; Annual employee engagement survey</li> <li>&gt; Remuneration benchmarked against industry competitors</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Centralised team procures the majority of the Group's materials from within the UK including sub-contractor materials, ensuring consistent quality and costs and security of supply</li> <li>&gt; Seek to establish and maintain long term supplier and sub-contractor partnerships with all of our significant supply agreements fixed in advance, usually for 12 months</li> <li>&gt; Group policies include tendering, the requirement for multiple suppliers for both labour contracts and material supplies and establish contingency plans should any key supplier fail</li> </ul>
<b>The opportunity</b>	The majority of our customers require mortgages to purchase their new home. Buyer confidence, the availability of mortgages and mortgage interest rates are affected by the economic environment.	Securing more sites that at least meet our hurdle rates of 20% gross margin and 25% RDCE will enable disciplined volume growth.	Availability of sufficient committed and surety facilities ensures that the Group can manage changes in the economic environment and take advantage of appropriate land buying and operational opportunities and deliver sustainable shareholder value.	Skilled employees are critical to deliver the Group's strategy of disciplined growth, improving key financial metrics through a focus on efficiency and the continued delivery of attractive cash returns.	Sufficient material and skilled sub-contractor availability will enable disciplined volume growth.
<b>Business model link</b>	(1) (3) (4)	(1) (3)	(1)	(1) (2) (3) (4) (5)	(3) (5)

- 1 Targeted land buying and effective planning.
- 2 Outstanding design.
- 3 Construction excellence and efficiency.
- 4 Innovative sales and marketing.
- 5 Industry leading customer experience.

## Principal risks

Risk	(F) Government regulation and planning policy	(G) Construction and new technologies	(H) Joint ventures and consortia	(I) Safety, health and environmental	(J) ▲ IT
<b>Potential impact</b>	Inability to adhere to the increasingly stringent and complex regulatory environment, including planning and technical requirements affecting the housing market and regulatory requirements more generally.	Failure to identify and achieve key construction milestones, due to factors including the impact of adverse weather conditions, the failure to identify cost overruns promptly, design and construction defects, and exposure to environmental liabilities, which could delay construction, increase costs, reduce selling prices and result in litigation and uninsured losses. There are also risks associated with climate change and the use of new technology in the build process e.g. materials related to carbon reduction.	Large development projects, some of which involve joint ventures or consortia arrangements and/or commercial developments, are complex and capital intensive and changes may negatively impact upon cash flows or returns.	Health and safety or environmental breaches can result in injuries to employees, sub-contractors and site visitors, delays in construction or increased costs, reputational damage, criminal prosecution and civil litigation.	Failure of the Group's IT systems (whether due to cyber-attacks or other causes) in particular those relating to surveying and valuation, could adversely impact the performance of the Group.
<b>Mitigation</b>	<ul style="list-style-type: none"> <li>➤ Considerable in-house technical and planning expertise devoted to complying with regulations and achieving implementable planning consents</li> <li>➤ Rigorous design standards for the homes and places we develop</li> <li>➤ Policies and technical guidance manuals for employees on regulatory compliance and the standards of business conduct expected</li> </ul>	<ul style="list-style-type: none"> <li>➤ Executive Committee, regional and divisional reviews</li> <li>➤ Any alternative forms of construction and building technologies and the quality of materials are subject to evaluation by external and internal technical experts, including the NHBC, to ensure compliance with all building and other regulations</li> <li>➤ Quarterly site valuations</li> <li>➤ Monitoring of environmental impact indicators</li> <li>➤ Maintenance of appropriate insurance cover</li> </ul>	<ul style="list-style-type: none"> <li>➤ All potential joint ventures are subject to formal appraisal and approval by the Group's Land Committee and the Board</li> <li>➤ Once operational, the performance of joint ventures and consortia are subject to regular review</li> </ul>	<ul style="list-style-type: none"> <li>➤ Health and safety team</li> <li>➤ Regular health and safety audits and development monitoring visits</li> <li>➤ Group health and safety and environmental policies and procedures</li> <li>➤ Board health and safety visits reinforce the importance of Health, Safety and Environmental compliance</li> </ul>	<ul style="list-style-type: none"> <li>➤ Centrally maintained IT systems</li> <li>➤ Fully-tested disaster recovery programme</li> <li>➤ Regular reviews to seek to reduce the risk of successful cyber-attacks</li> </ul>
<b>The opportunity</b>	Securing sufficient, appropriate planning permissions upon new sites will enable the Group to deliver disciplined volume growth.	Modern construction methods are being assessed and implemented where appropriate to reduce the risks inherent in the construction process and to help address the shortage of skilled trades people.	Securing more joint venture sites that at least meet our hurdle rates of 20% gross margin and 25% ROCE will enable disciplined volume growth.	Continued focus upon health and safety to seek to reduce injury rates and manage the risks inherent in the construction process.	Integrated IT systems enhance business control and drive efficiency.
<b>Business model link</b>	① ②	② ③	①	② ③	① ③ ④ ⑤

The Strategic Report on pages 2 to 45 was approved by the Board and is signed on its behalf by:

David Thomas  
Chief Executive



6 September 2016

- 1 Targeted land buying and effective planning.
- 2 Outstanding design.
- 3 Construction excellence and efficiency.
- 4 Innovative sales and marketing.
- 5 Industry leading customer experience.

## The Board

### John Allan

#### Non-Executive Chairman

##### Appointment to the Board:

John joined the Board as a Non-Executive Director on 1 August 2014 and became Chairman on 12 November 2014.

##### Committee membership:

Chairman of the Nomination Committee and a member of the Remuneration Committee.

##### Career and experience:

John brings a broad range of business and retail experience to the Board. He became Chairman of Tesco PLC on 1 March 2015 and also of London First on 1 January 2015. He is a Non-Executive Director of Worldpay plc and a regent of the University of Edinburgh. Previously John was Chairman of Dixons Retail plc until its merger with Carphone Warehouse Group plc. He then became Deputy Chairman of the combined business, Dixons Carphone plc, until 2015. He was also a Non-Executive Director of Royal Mail PLC (2013-2015), National Grid plc (2005-2011), 3i plc (2009-2011) and of various other public companies in the UK, Germany and Denmark. His other previous appointments also include CFO of Deutsche Post until 2009 and Chief Executive of Exet plc until 2005.

### David Thomas

#### Chief Executive

##### Appointment to the Board:

David joined as an Executive Director and Group Finance Director on 21 July 2009 and was appointed Chief Executive on 1 July 2015.

##### Committee membership:

Member of the Nomination Committee.

##### Career and experience:

David brings a wealth of financial and leadership experience acquired over a number of years in senior positions. He is an Associate of the Institute of Chartered Accountants in England and Wales. He was formerly Group Finance Director and Deputy Chief Executive of The GAME Group plc (2004-2009). Before that he was the Group Finance Director at Millennium and Copthorne Hotels plc (1998-2004) and held senior financial roles with House of Fraser plc and Forte plc.

### Steven Boyes

#### Chief Operating Officer and Deputy Chief Executive

##### Appointment to the Board:

Steven joined the Board as an Executive Director on 1 July 2001 and subsequently Chief Operating Officer on 5 July 2012. He became Deputy Chief Executive on 24 February 2016 and continues to be responsible for the Group's housebuilding operations.

##### Committee membership:

Member of the Safety, Health and Environmental Committee.

##### Career and experience:

Steven became a trustee of the UK Green Building Council in September 2015. He has over 38 years' experience in the housebuilding industry having joined Barratt in 1978 as a junior quantity surveyor and progressing through the business to assume the roles of Technical Director and Managing Director of Barratt York before being appointed Regional Director for Barratt Northern in 1999.

### Neil Cooper

#### Chief Financial Officer

##### Appointment to the Board:

Neil joined the Board as an Executive Director and Chief Financial Officer on 23 November 2015.

##### Career and experience:

Neil is an experienced finance professional bringing to the Board significant international experience from a variety of sectors. Neil is currently a Non-Executive Director of Pennon Group Plc. He was previously Group Finance Director of William Hill PLC (2010-2015) and Finance Director of Bovis Homes for three years (2007-2010). Before that he spent eight years in a variety of finance roles with Whitbread PLC and has held financial and consultancy roles with Reckitt & Colman PLC (now Reckitt Benckiser) and PricewaterhouseCoopers.

### Mark Rolfe

#### Senior Independent Director

##### Appointment to the Board:

Mark was appointed as a Non-Executive Director on 1 May 2008 and became Senior Independent Director on 14 November 2012. Mark will step down from each of his positions with the Group at the conclusion of the Company's 2016 AGM.

##### Committee membership:

Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees.

##### Career and experience:

Mark is an experienced Non-Executive Director with a strong financial and retail background. He is currently a Non-Executive Director of Debenhams plc and a Fellow of the Institute of Chartered Accountants in England and Wales. Mark was formerly a Non-Executive Director of The Sage Group plc (2007-2013) and Hornby plc (2008-2014), Chairman of Lane Clark & Peacock LLP (2008-2014), and Finance Director of Gallaher Group Plc (2000-2007). His career with Gallaher spanned 20 years during which time he served in various finance and executive roles.

Graphic removed

### Richard Akers

Non-Executive Director

**Appointment to the Board:**

Richard joined the Board as a Non-Executive Director on 2 April 2012. Richard will become the Senior Independent Director from the conclusion of the 2016 AGM.

**Committee membership:**

Chairman of the Remuneration and the Safety, Health and Environmental Committees and a member of the Audit and Nomination Committees.

**Career and experience:**

Richard has a broad range of property knowledge and experience. He is a Non-Executive Director of Emaar Malls PJSC, a member of the Advisory Board for Battersea Power Station Development Company and a Fellow of the Royal Institution of Chartered Surveyors. Richard was a senior executive of Land Securities Group plc (1995-2014), joining the main Board in May 2005 following his appointment as Managing Director of the Retail Portfolio. He was also a Director and President of the British Council of Shopping Centres (2009-2012), the main industry body for retail property owners.

### Tessa Bamford

Non-Executive Director

**Appointment to the Board:**

Tessa was appointed as a Non-Executive Director on 1 July 2009.

**Committee membership:**

Member of the Audit, Nomination and Remuneration Committees.

**Career and experience:**

Tessa brings broad business experience to the Board. She is currently a Non-Executive Director of Wolsley plc and a consultant at Spencer Stuart. Tessa was formerly a Director of Cantos Communications (2001-2011) and a Director of J Henry Schroder & Co with whom her career spanned over 12 years in various roles (1986-1998).

### Nina Bibby

Non-Executive Director

**Appointment to the Board:**

Nina joined the Board as a Non-Executive Director on 3 December 2012.

**Committee membership:**

Member of the Audit, Nomination and Remuneration Committees.

**Career and experience:**

Nina brings a wealth of marketing experience to the Board and is currently the Marketing and Consumer Director at O2 UK, Telefonica. She was formerly the Global Chief Marketing Officer at Barclaycard, the payments subsidiary of Barclays plc until 2013. Prior to Barclaycard, Nina was SVP Global Brand Management at InterContinental Hotels Group plc (2006-2009) and worked at Diageo (1997-2006), latterly as Commercial Strategy Director.

### Jock Lennox

Non-Executive Director

**Appointment to the Board:**

Jock joined the Board as a Non-Executive Director on 1 July 2016.

**Committee membership:**

Jock is a member of the Audit Committee and will become its chair from the conclusion of the Company's 2016 AGM. Jock is also a member of the Remuneration and Nomination Committees.

**Career and experience:**

Jock, a Chartered Accountant, is an experienced Non-Executive Director bringing to the Board a wealth of business and finance experience. He is currently Non-Executive Director and Chairman of the Audit Committee of Dixons Carphone plc, A&J Mucklow Group plc, Enquest plc and Hill and Smith Holdings plc. He is also the Senior Independent Director of Oxford Instruments plc. Jock will be stepping down from his positions at Oxford Instruments plc and A&J Mucklow Group plc in September 2016 and November 2016 respectively. Previously, Jock spent 30 years with Ernst & Young LLP (including 20 years as a partner) during which time he led a number of relationships with international clients and held a number of leadership positions both UK and globally.

### Tina Bains

Company Secretary

**Appointment to the Board:**

Tina was appointed to the role of Company Secretary on 1 January 2016.

**Career and experience:**

Tina joined the Group in 2008 as Assistant Company Secretary and was promoted to the role of Deputy Company Secretary in 2011. Prior to this, Tina held various Company Secretarial positions within the private and professional services sectors including TMF Corporate Secretarial Services Limited and Ernst & Young LLP. Tina is a Fellow of the Institute of Chartered Secretaries and Administrators.

Graphic removed

## Chairman's introduction

Graphic removed



Good corporate governance is the foundation of effective management. We place governance at the heart of everything we do. It is embedded in our procedures and processes throughout our business from Board level to our divisional operations.

**John Allan**  
Chairman

I am pleased to present my second corporate governance report to you and to explain how your Board has used the authority and trust you place in it to drive your Company forward as it strives to deliver sustainable shareholder value.

Now more than ever good corporate governance will play a key part in the long term success of any business. The UK's decision to leave the EU has created great uncertainty, not only in the UK but more widely. Whilst I cannot predict what may happen in the future, I can assure you that we have a strong business led by an equally strong and talented Board. The Board is continually monitoring events and will make decisions based on firm facts to ensure that it exploits opportunities as they arise.

Good corporate governance is more than simply adhering to the principles of the UK Corporate Governance Code: it is the basis of good management practice. We are focused on ensuring that good governance is embedded in our culture across disciplines and all areas of the business, in order to create a stable foundation upon which our business and long term success is built. The Board takes time to receive regular updates on changes in corporate governance and best practice and strives to adopt the spirit, in addition to the letter of the regulations or best practice provisions.

Together with overseeing a strong financial performance, the following key changes have been addressed by the Board during the year:

### Board Changes

David Thomas took over as Chief Executive from Mark Clare on 1 July 2015 and retained the position of Group Finance Director until Neil Cooper joined as Chief Financial Officer on 23 November 2015. David received support from the Board and from Mark Clare throughout his transition to Chief Executive. Information on the induction process for David and Neil can be found on page 58.

Mark Rolfe, after eight years of service, has decided to stand down after the 2016 AGM. Mark is a highly valued member of the Board and during his tenure has contributed greatly to the Company's success.

We undertook a full and formal process to find a new Non-Executive Director (more information is available on page 64) and we are pleased to have secured the services of Jock Lennox. Jock joined the Board on 1 July 2016 and will take over as Chair of the Audit Committee following the 2016 AGM. His biography can be found on page 47 and details of his induction can be found on page 59.

### Changes to Regulation

Numerous changes have taken place to the regulatory framework within which we operate. The Board took time to discuss and consider each of these in detail. Particular areas of focus were:

#### Long term viability statement

The Audit Committee robustly assessed the internal control and principal risks of the business on behalf of the Board. It also considered the period over which the viability of the Company should be assessed and analysed the outcome of the assessment of long term viability over that timescale. The results of this assessment can be seen on page 43 of the Strategic Report.

#### Modern Slavery Act

During the year, the Company assessed the effect of the Modern Slavery Act (MSA 2015) on its processes, procedures and contracts in addition to our relationships with suppliers and contractors. The Modern Slavery Act Statement as required by MSA 2015 is currently being prepared and will be published on our website, following approval by the Board, no later than 31 December 2016.

### Market Abuse Regulation

The Board reviewed the impact of the Market Abuse Regulation including its treatment of inside information; the relationship with our brokers and analysts; the obligations of Persons Discharging Managerial Responsibilities; and the Company's Share Dealing Code. Following its review and in accordance with best practice, the Board approved the establishment of a Disclosure Committee, adopted a revised Share Dealing Code and updated its procedures and processes to ensure the Company's compliance with the new regulations.

#### Auditor independence and non-audit fees policy

During the year the Audit Committee reviewed the policy on auditor independence and non-audit fees to take into account the prescribed prohibited non-audit services with effect from June 2016. A cap on fees for permissible non-audit services of 70% (based on the average of the previous three years of audit fees) has been imposed and will be effective from the year commencing 1 July 2019. Further information is contained on page 72.

### FY17

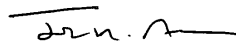
Our areas of focus during FY17, amongst other matters, will be:

- > to continually assess the impact on the business of the decision to leave the EU and flex our strategy accordingly;
- > to assess and fully comply with the principles and provisions of the UK Corporate Governance Code issued in 2016;
- > to implement the recommendations arising from the 2016 externally facilitated Board effectiveness review (see page 56); and
- > to conduct a formal process to tender our external audit and taxation services.

You have a strong and experienced Board managing your Company through these uncertain times. The actions that they take over the coming months will be in line with good governance and, in the opinion of the Board, in your best interests.

The following pages set out our governance structures, processes and the work undertaken by the Board and its Committees during FY16.

John Allan  
Chairman



6 September 2016

## Corporate governance report – Overview

### Leadership

Your Board is collectively responsible for the long term success of your Company. The roles are clearly defined with Executive Directors managing the business on a day to day basis and the Non-Executive Directors providing an appropriate level of scrutiny, challenge and support. In this way proposals relating to strategy, performance, responsibility and accountability are constructively challenged and the Board ensures that all decisions are well considered, justified and of the highest quality. In addition, Board processes are set up to ensure adequate oversight of the implementation of those decisions.

This section details the structure and composition of the Board and its Committees, how responsibilities are divided amongst the Board, its Committees and individual Directors, the main activities of the Board in FY16 and its main focus areas for FY17.



See pages 51–55

### Effectiveness

Your Board continuously reviews its balance of skills, experience, independence and knowledge to ensure that they remain appropriate to enable it to discharge its duties and responsibilities effectively. The Board undertakes an annual evaluation of its own effectiveness and that of its Committees and of individual Directors.

This section outlines the independent Board evaluation process undertaken in FY16 and the outcomes. It also sets out the progress made with the actions arising from the FY15 evaluation as well as the induction process for new Directors.



See pages 56–59

### Accountability

Your Board is mindful of the risk environment in which it operates when making any decisions. It maintains sound risk management and internal control systems and regularly reviews the principal risks and assesses the appropriate appetite for risk in striving to achieve the Company's strategic objectives.

This section details the Board's approach to risk management, its internal controls and risk management systems and its processes for evaluating that the Annual Report and Accounts of the Company are fair, balanced and understandable.



See page 59

### Relations with shareholders

Your Board recognises the importance of maintaining open dialogue with its shareholders, both private and institutional. A number of events and communications take place on an annual basis to regularly communicate with shareholders and to encourage their participation.

This section summarises how the Board and individual Directors engaged with shareholders throughout FY16 and how shareholders can communicate with the Company.



See pages 60–61

### Remuneration

The Board, through its Remuneration Committee, has established a formal and transparent procedure for developing its policy on executive remuneration. The Group's Remuneration Policy was presented to, and approved by, shareholders at the 2014 AGM and is designed to promote the long term success of the Group. No changes are proposed to the policy for FY17.

This section summarises the Group's Remuneration Policy, how the policy operated during FY16 and how it will be applied in FY17.

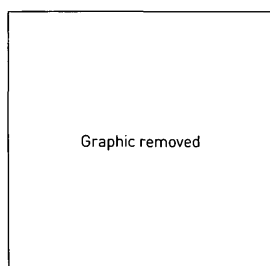


See pages 76–97

### Corporate governance report – Leadership

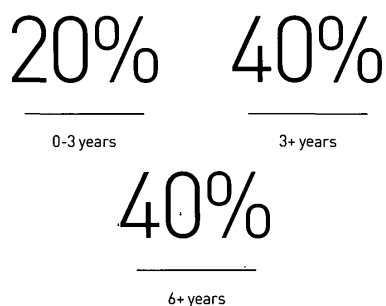
#### Board composition, diversity and experience as at 30 June 2016

##### Board composition

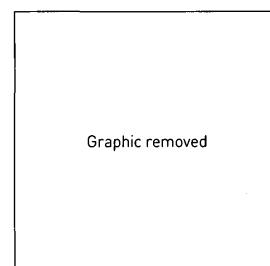


● Chairman	1
● Executive Directors	3
● Independent Non-Executive Directors	4

##### Non-Executive Director tenure (including the Chairman)



##### Gender split



● Male	75%
● Female	25%

##### Experience

Business	Finance	Retail development	Housebuilding/ Construction	Marketing	Commercial development
Graphic removed	Graphic removed	Graphic removed	Graphic removed	Graphic removed	Graphic removed

See page 65 for details on Board diversity

See page 35 for details on diversity in the workforce

Strategic Report	<b>Governance</b>	Financial Statements	Other Information
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Corporate governance report – Leadership *continued*

### Corporate Governance Statement

The Board confirms that during the year ended 30 June 2016, and as at the date of this report, the Company has fully complied with the main and supporting principles of the UK Corporate Governance Code (the 'Code') issued in September 2014 (a copy of which is available from [www.frc.org.uk](http://www.frc.org.uk)). This report, together with the Other Statutory Disclosures, reports from the Audit, Nomination, Safety, Health and Environment and Remuneration Committees, provide details of how the Company has applied the principles and complied with the provisions of the Code during the year under review. We describe how we have applied the main principles throughout pages 50 to 97.

We are aiming to be fully compliant with the UK Corporate Governance Code issued by the FRC in 2016 which is applicable to the Company for FY17. The Company has also complied with the requirements under the Disclosure and Transparency Rules, the Listing Rules and the BIS Directors' Remuneration Reporting regulations and narrative reporting requirements.

#### Board balance

The names, responsibilities and other details of each of the Directors of the Board are set out on pages 46 and 47 with the composition of the Board on page 51. The Board believes it has an appropriate balance of Executive and independent Non-Executive Directors having regard to the size and nature of the business. In addition, the combination of the experience and calibre of the Non-Executive Directors collectively, having regard to their diverse backgrounds, experience and their varying lengths of service, further enhances this balance and mitigates the risk of group think.

#### Board independence

The Company recognises the importance of its Non-Executive Directors remaining independent throughout their appointment, it enables them to provide objective advice and guidance to the Executive Directors (and Senior Management) through the application of their wide business and commercial experience and diverse backgrounds. This independence allows the Non-Executive Directors to constructively challenge and scrutinise the performance of the Executive Directors and provide an independent perspective on business strategy, performance and the integrity of the financial information considered by the Board and disclosed to the Company's shareholders. In addition, their independence is of the utmost importance when considering the appointment or removal of Executive Directors and in the determination of succession planning for Board positions and other Senior Management roles within the Group. All Non-Executive Directors remained independent in character and judgement during the financial year. It was confirmed as part of the annual conflict of interests review that none of the Non-Executive Directors have business or other relationships with the Group (or other outside interests) that might influence their independence or judgement (see page 65). Details of their interests in shares of the Company are contained in **Table 15** on page 89 of the Remuneration report.

John Allan was considered to be independent on appointment to the Board and on taking up the role of Chairman. As part of the FY16 annual review of the Chairman's effectiveness, the Non-Executive Directors led by Mark Rolfe, as Senior Independent Director, considered John's significant commitments (page 46) and confirmed that they do not impinge upon his availability to fulfil his duties to the Company. John Allan has demonstrated this throughout the year by ensuring full attendance at each of the Board and majority of the committee meetings, being available to Board members whenever required, spending time out in the business and within the Group's corporate offices in London. John Allan continues to show dedication to his role and commits the time necessary to discharge his duties.

### Key responsibilities of the Board

The Board has overall responsibility for providing clear, entrepreneurial, responsible and executive leadership to the Group and for:

- > promoting the long term success of the Group;
- > conducting the business of the Group;
- > ensuring that the obligations to shareholders and other stakeholders are understood and met;
- > setting the strategic direction of the Group; and
- > ensuring the Company has adequate resources and the appropriate controls, values and standards to deliver its strategy within a framework that enables risk to be identified and managed appropriately.

Operational decisions are delegated to Board and Management Committees as illustrated on page 55.

The Board has an annual standing agenda which has been set in accordance with its terms of reference and matters reserved specifically to it, see the Company's website at [www.barrattdeliveries.co.uk/investors/corporate-governance/governance-policies](http://www.barrattdeliveries.co.uk/investors/corporate-governance/governance-policies)

### Membership and attendance at Board meetings

Members of the Board throughout the financial year and attendance at each of its scheduled meetings are set out in **Table 1**.

**Table 1**

Member	Role	Number of meetings attended
John Allan	Chairman	9/9
David Thomas <sup>1</sup>	Chief Executive	8/9
Steven Boyes	Chief Operating Officer	9/9
Neil Cooper <sup>2</sup>	Chief Financial Officer	6/6
Richard Akers	Non-Executive Director	9/9
Tessa Bamford	Non-Executive Director	9/9
Nina Bibby	Non-Executive Director	9/9
Mark Rolfe	Senior Independent Director	9/9
<b>Former Director</b>		
Mark Clare <sup>3</sup>	Executive Director	1/1

1 David Thomas was unable to attend one meeting due to personal reasons. He reviewed the papers and provided comments to the Chairman prior to the meeting.

2 Neil Cooper joined the Board as Chief Financial Officer on 23 November 2015.

3 Mark Clare stepped down from his position as Group Chief Executive on 30 June 2015 and from the Board on 31 July 2015.

Note:

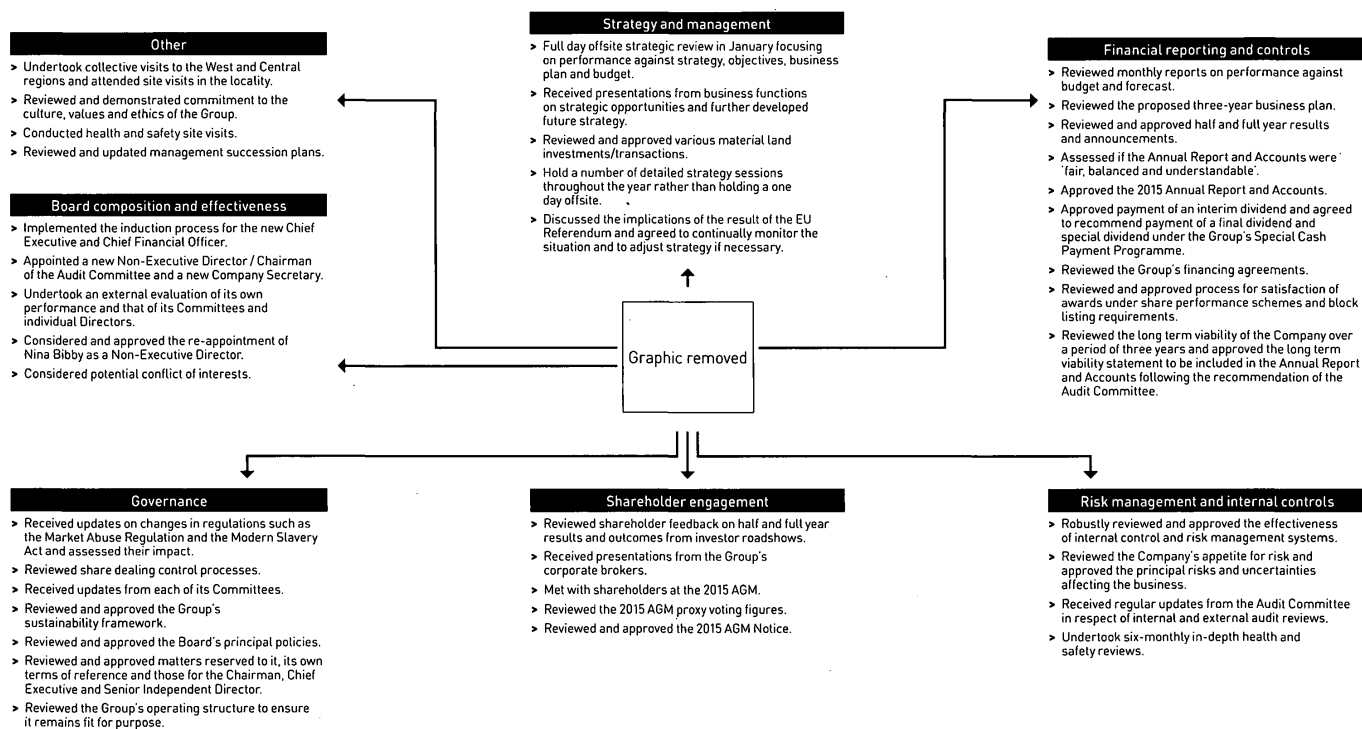
9/ Number of meetings attended whilst a Director;

/9 Number of meetings held whilst a Director.

## Board activity FY16

### Main activities undertaken during the financial year (including Matters Reserved)

The Board had nine scheduled meetings during the financial year to review and approve various key business proposals including those matters specifically reserved to it. The key responsibilities of the Board and its multi-dimensional work programme throughout the year are set out below:



Strategic Report	Governance	Financial Statements	Other Information
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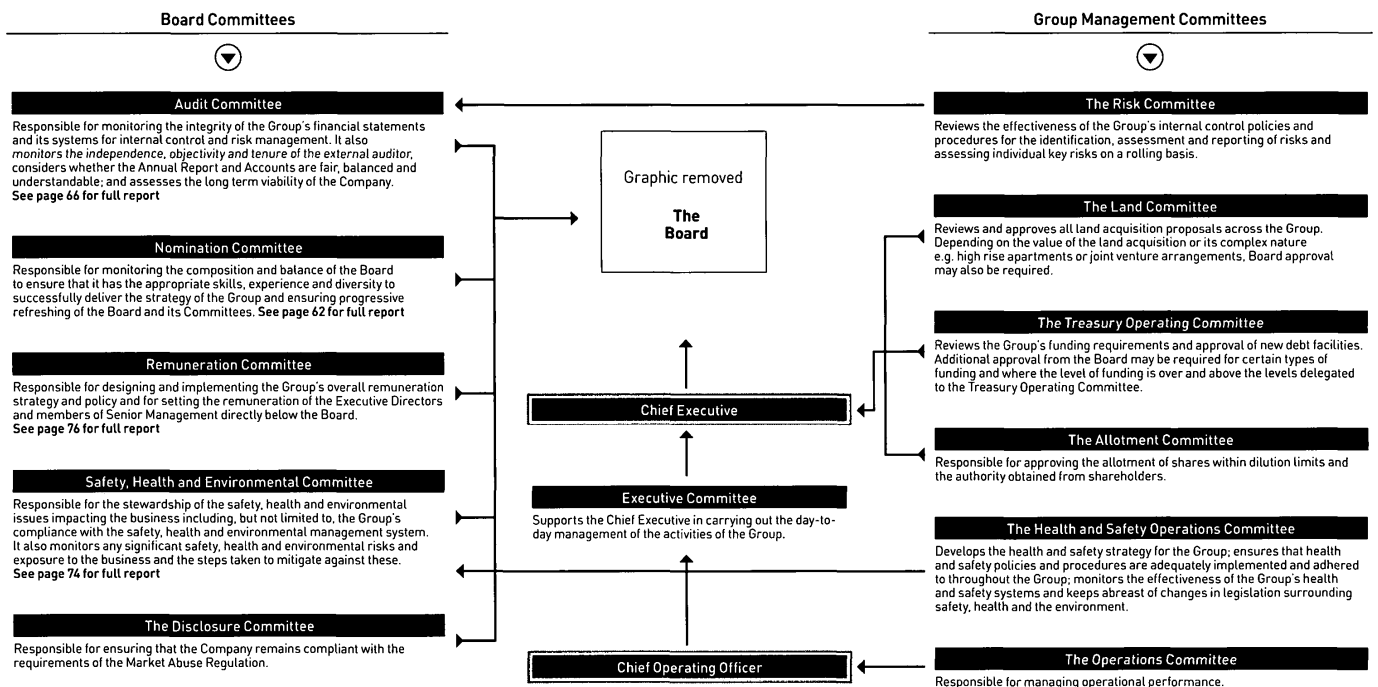
Corporate governance report – Leadership *continued*

### Board roles and their responsibilities

<b>The Chairman</b>	<ul style="list-style-type: none"> <li>&gt; Leads and manages the Board in the achievement of its objectives, sets its agenda and chairs its meetings;</li> <li>&gt; facilitates the effective contribution of Non-Executive Directors and constructive relations between Executive and Non-Executive Directors;</li> <li>&gt; makes certain that the continued development needs of each Director are identified and addressed; and</li> <li>&gt; ensures effective communication with shareholders and participates in corporate relations activities including meetings with shareholders and other stakeholders as appropriate.</li> </ul>
<b>Chief Executive</b>	<ul style="list-style-type: none"> <li>&gt; Responsible for the development of the Group's strategy for the enhancement of long term shareholder return and its recommendation to the Board for approval;</li> <li>&gt; ensures the delivery of Group Strategy approved by the Board;</li> <li>&gt; responsible for the day to day leadership and management of the operational activities of the Group in accordance with overall strategy and policy as determined by the Board;</li> <li>&gt; chairs the Executive Committee through which he carries out his duties;</li> <li>&gt; responsible for corporate relations with shareholders and other stakeholders; and</li> <li>&gt; responsible for the sustainability policies and practices of the Group.</li> </ul>
<b>Chief Operating Officer</b>	<ul style="list-style-type: none"> <li>&gt; Responsible for the Group's housebuilding operations; and</li> <li>&gt; chairs the operations committee meetings, the other members of which include the Regional Managing Directors.</li> </ul>
<b>Chief Financial Officer</b>	<ul style="list-style-type: none"> <li>&gt; Responsible for devising and implementing the Group's financial strategy and policies;</li> <li>&gt; responsible for managing the Group Legal, Internal Audit and Investor Relations departments;</li> <li>&gt; supports the Chief Executive with his corporate relations responsibilities with shareholders and other stakeholders; and</li> <li>&gt; manages the Company's relationship with the external auditor.</li> </ul>
<b>The Senior Independent Director</b>	<ul style="list-style-type: none"> <li>&gt; Responsible for evaluating the performance of the Chairman, at least annually;</li> <li>&gt; responsible for ensuring that, where required, he is available to shareholders to: <ul style="list-style-type: none"> <li>i) address any material issues or concerns which the Chairman and/or Chief Executive have failed to resolve; and</li> <li>ii) listen to their views in order for the Company to gain a balanced understanding of their issues and concerns; and</li> </ul> </li> <li>&gt; act as a sounding board for the Chairman and, if necessary, an intermediary for the other Directors.</li> </ul>
<b>Independent Non-Executive Directors</b>	<ul style="list-style-type: none"> <li>&gt; Constructively challenge the Executive Directors;</li> <li>&gt; develop proposals on strategy; and</li> <li>&gt; monitor the implementation of the Group's strategy within its risk and control framework.</li> </ul>
<b>Company Secretary</b>	<ul style="list-style-type: none"> <li>&gt; Supports the Chairman and Chief Executive in fulfilling their duties;</li> <li>&gt; available to all Directors for advice and support;</li> <li>&gt; keeps the Board regularly updated on governance matters;</li> <li>&gt; ensures Group policies and procedures are maintained and updated on a regular basis; and</li> <li>&gt; attends, and maintains a record of the matters discussed and approved at Board and Committee meetings.</li> </ul>

## Board

### Board committees and delegation



Strategic Report	Governance	Financial Statements	Other Information
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Corporate governance report *continued*

## Effectiveness

### Board and Committee Evaluation

In accordance with the Code, the Board is responsible for undertaking a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors. In 2015 this process was conducted internally and in FY16 we appointed an external company to facilitate the evaluation. Details of progress made on the outcomes of the 2015 review and the results of the 2016 review are set out below.

#### Update on 2015 Board performance evaluation outcomes

**Table 2**

	Board composition	Succession planning	Board meetings
<b>2015 outcomes</b>	Ensure satisfactory skills, experience and knowledge are maintained to help deliver the Company's long term strategy and objectives.	Increased focus on succession planning for the Board as a whole but more specifically for Non-Executive Directors and Senior Management.	Maintain the disciplines enshrined in Board processes such as streamlined papers and pre-allocation of sufficient time to consider and discuss matters fully.
<b>Progress in FY16</b>	Reviewed the skills required to achieve the Group's strategy and completed the appointment of Jock Lennox as Non-Executive Director and Audit Committee Chair designate. Completed the appointment of Neil Cooper as Chief Financial Officer.  Diversity review of the business undertaken and steps identified and implemented to increase diversity levels throughout the Group.	David Thomas appointed as Chief Executive, he previously held the role of Group Finance Director.  Identified that Mark Rolfe was coming up to nine years' service and appointed Jock Lennox as a new Non-Executive Director.	Refocus agenda to give greater prominence to items for discussion and requiring a decision as well as items of strategic significance to make the Board decision making process as effective as possible.  Progress towards strategic actions now being considered in more detail at each meeting.  Reduction of the size of Board and Committee packs to allow for important information with supporting documentation to be included in the exhibit book.

### Board performance evaluation 2016

We last conducted an externally facilitated Board evaluation in respect of FY13. In accordance with the Code, we therefore engaged the services of Independent Board Evaluation ('IBE') to undertake the evaluation review for FY16. IBE also undertook the external evaluation for FY13 giving them a greater insight into how the Board and its procedures have developed over the years. IBE has no other connection with the Company.

#### Board evaluation process

IBE attended meetings of the Board and its committees and interviewed all Board members and key members of Senior Management. Their review covered the following:

- > The performance of the Board and its principal committees generally and individually;
- > board contribution to strategy and shareholder accountability;
- > risk management;
- > financial and operating reporting;
- > succession planning (including diversity);
- > inter-relationships between the Board and its Committees and between the Executive and Non-Executive Directors;
- > board Committees and decision making; and
- > effectiveness of each Director.

### Evaluation of the Chairman and Non-Executive Directors

As part of the 2016 Board Evaluation, IBE evaluated the effectiveness of the Chairman. Interviews were held with each member of the Board and the result was unanimous support. Of particular note was the Chairman's ability to steer the Board in a way that encourages openness and transparency. In addition, his knowledge of the important issues requiring Board debate and his focus on them during Board meetings was seen as a key strength. These findings were presented to the Senior Independent Director who shared them with the Board (without the Chairman being present) before providing feedback to the Chairman.

IBE also assessed the effectiveness of each Board Director, including the Non-Executive Directors and provided feedback to the Chairman. The Chairman subsequently held one to one meetings with each Director to discuss the findings and agree any areas of improvement or training / development identified. There were no issues of any substance arising from this review.

In addition, in accordance with the requirements of the Code, the Chairman met at least once with the Non-Executive Directors independently of the Executive Directors. The Non-Executive Directors meet without the Executive Directors being present usually prior to or immediately following Committee meetings.

### 2016 External Board Effectiveness Evaluation Outcomes

IBE delivered their report to the June Board meeting. The results were generally positive and identified governance processes, shareholder accountability and relations, selection of new Board members and Board culture as areas of particular strength. The areas of improvement identified were:

**Table 3**

	<b>Succession planning</b>	<b>Training and Development</b>	<b>Strategy</b>
<b>2016 outcomes</b>	Further work required to identify talent within the business and to ensure that potential successors to Board roles are developed.  Increased focus required on diversity (ethnic and gender) throughout the business.	To assess the requirements for Board training and development for individual Directors.	To have a longer term view on strategy for the Group.
<b>Actions for 2017</b>	Executive Directors together with HR to focus on identifying employees below Board level as potential future successors.  A programme on diversity led by the Chief Executive, has commenced in FY16 and will be developed further in FY17.	Each Director to provide suggestions and an annual timetable for training and development to be maintained.	Specific sessions to be held throughout the year to focus on strategic issues identified by the Board.
	<b>Nomination Committee</b>	<b>Audit Committee</b>	<b>Remuneration Committee</b>
<b>2016 outcomes</b>	All Committees are operating effectively with members understanding what is expected of them to undertake and discharge their responsibilities as well as their regulatory requirements.		
<b>Actions for 2017</b>	To support the Board in identifying successors for Board and committee members as well as Senior Management.  Focus on diversity throughout the business especially with regards to gender and ethnic diversity.	The Committee is well versed in the detail of audit issues and focus over the next year will be to include a more strategic view of financial and audit issues.	Continue the focus on simplifying remuneration structures over the coming year.

#### Information and support

The Chairman, with the assistance of the Company Secretary, ensures that the Board receives accurate, timely and clear information. Each Director is issued with an agenda, briefing papers and comprehensive operating and financial management reports for the period under review, generally five working days before any Board meeting. The Company Secretary attends all Board and Committee meetings and all Directors have access to her advice and, if necessary, to independent professional advice at the Company's expense to assist with the discharge of their responsibilities as Directors.

All Directors are provided with a rolling three-year schedule of proposed meeting dates. Any Director who is unable to attend a meeting is invited to provide their views to the Chairman ahead of that meeting, having reviewed the agenda, briefing papers and management information. Reasons for non-attendance are recorded by the Company Secretary and either she or the Chairman will meet with any absent Director to go through any action points which are of relevance. Formal minutes of each Board meeting are prepared, circulated and submitted for approval at the next meeting.

#### Training

The Chairman regularly reviews training requirements of, and annually agrees development needs with, individual Directors. A number of internal presentations and updates are provided to Directors as part of the Board and strategy agenda. This forms part of the training the Directors receive for their role. Subjects are chosen based on their impact on the business and include (but are not limited to) general economic and market updates, government and regulatory environment, our customers, financial updates and planning, sales and product development.

Strategic Report	<b>Governance</b>	Financial Statements	Other Information
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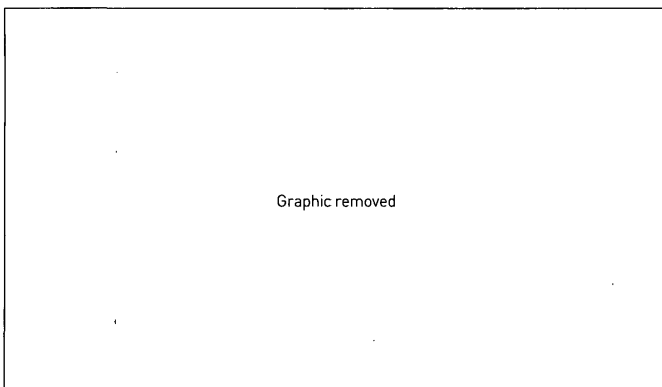
Corporate governance report – Effectiveness *continued*

## Induction

On joining the Company, each new Director participates in a full and formal induction process. The aim of the induction is to assist the Director to familiarise himself with the business and its culture in addition to the roles and responsibilities of the Board and each member of Senior Management. Site and divisional / functional visits are arranged so the Group's business is seen in operation. Each new Director is provided with an induction pack containing general and specific information relating to their role such as a schedule of meetings, copies of Board minutes, various policies and procedures, details of their duties as a Director of a listed plc and other obligations under the various regulations governing the Company.

### David Thomas' induction

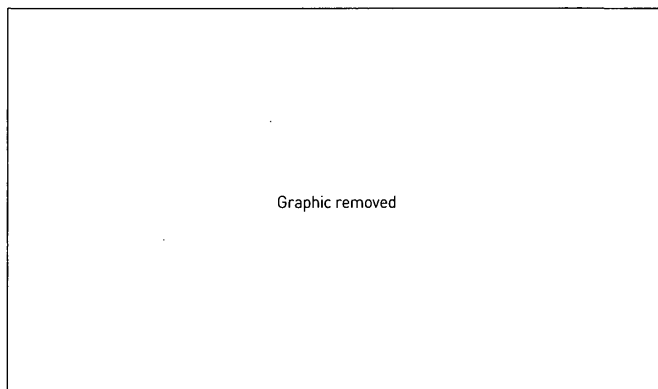
David Thomas' induction was focused on his new role as Chief Executive given that he was already familiar with the Group's operations having previously held the position of Group Finance Director. He worked closely with Mark Clare to gain a more in-depth view of the role and the associated responsibilities to ensure a smooth transition. During this period David met with external analysts and stakeholders and internal management allowing him to gauge for himself the priorities of the business.



David Thomas on a health and safety visit to our Saxon Rise site at Mercia. Pictured with Group SHE Director, Vince Coyle and Projects Manager, Ian Green.

### Neil Cooper's induction

Neil Cooper was provided with a tailored induction process which included, amongst other matters, health and safety training, site visits, meetings with all Board members and the Company Secretary, key external advisers and senior and operational management teams across the business. This enabled him to gain a greater understanding of our products, processes and policies. Neil met with the Group's brokers and analysts to gain an external perspective of items of importance to the Group. He also met major shareholders of the Company during investor meetings.

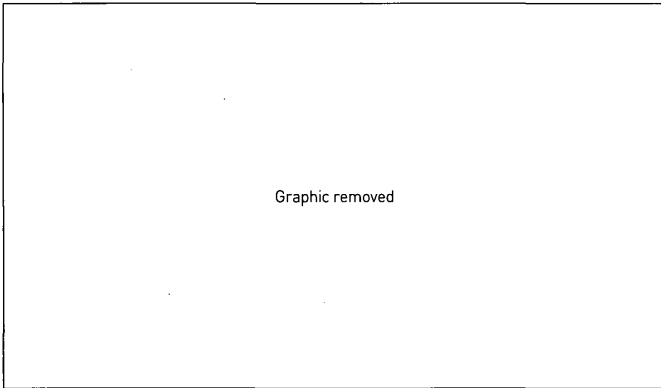


Neil Cooper visiting the Group Urban Design team at the Group Support Centre in Leicestershire. Pictured with Phillip Livesley, Senior Urban Designer.

## Accountability

### Jock Lennox's induction

Jock Lennox's induction began as soon as he accepted his appointment. He was sent various documents for him to begin to understand the Company and its culture. As an experienced Non-Executive Director, Jock was already familiar with his obligations as a plc Director of a listed company. Meetings were arranged with all Board members and members of Senior Management. Jock also visited various regional offices and sites across the country including the Group Support Centre in Leicestershire.



Jock Lennox visiting a sales office at our Malbank Waters site in the Central region. Pictured with Angela O'Neill-Walker, Sales Adviser.

### Internal controls and risk management

In accordance with provision C.2.3. of the Code, the Board monitors and regularly reviews the effectiveness of the Group's system of internal controls, including those related to material financial, operational and compliance performance and the risk management systems (see the Audit Committee report on pages 66 to 73). A risk framework has been developed for all business processes by the Internal Audit function and approved by the Audit Committee. This framework forms the basis of the internal control audit plan for the year ahead, which tests if key controls are being applied effectively in each operating division. Material issues identified during internal audits and follow-up action plans are reviewed by the Executive Directors and by the Board on a quarterly basis. Any necessary actions are immediately taken to remedy any significant failings in the internal control system.

The Group's system of internal controls is designed to manage risks that may impede the achievement of the Group's business objectives rather than to eliminate those risks entirely. The system of internal controls therefore provides only reasonable, not absolute, assurance against material misstatement or loss. The system of internal controls does, however, provide reasonable assurance that potential issues can be identified promptly and appropriate remedial action taken. Further details can be found in the risk management section of the Strategic Report (pages 41 to 45).

The Group operates internal controls to ensure that the Group's Financial Statements are reconciled to the underlying financial ledgers. A review of the consolidated accounts and Financial Statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected.

The Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore, a confirmation of necessary actions has not been considered appropriate.

### Fair, balanced and understandable

As part of its considerations, the Board reflected upon the feedback shareholders provided in respect of our 2014/15 Annual Report and Accounts. It also set aside adequate time to review and discuss significant areas of the 2015/16 Annual Report and Accounts.

The Board assessed the tone, balance and language of the document being mindful of the requirements of the Code and the need for consistency between the narrative section of the Report and the Financial Statements in arriving at its conclusion. The Board's formal statement on the Annual Report and Accounts being fair, balanced and understandable is contained within the Director's Responsibility Statement on page 104. The process undertaken by the Audit Committee to assist the Board in assessing if the Annual Report and Accounts were fair, balanced and understandable can be found on page 69.

Strategic Report	<b>Governance</b>	Financial Statements	Other Information
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Corporate governance report *continued*

## Relations with shareholders

Graphic removed

2015  
Activity

July	August	September	October	November	December
<ul style="list-style-type: none"> <li>&gt; Post year end trading update.</li> <li>&gt; Analyst hospitality event.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Full year results preparation.</li> <li>&gt; Annual update on remuneration to major investors and principal investor advisory groups.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Full year results announcement and analyst presentation.</li> <li>&gt; UK and US roadshows following the full year results announcement.</li> <li>&gt; Institutional broker sales desk briefings.</li> <li>&gt; Private client brokers roadshow.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Annual Corporate Governance meetings with major shareholders.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Trading update and Annual General Meeting.</li> <li>&gt; Institutional broker sales desk briefings.</li> <li>&gt; Top shareholders and key investor roundtable chaired by Chief Executive and Senior Management team.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Private client brokers group meeting.</li> <li>&gt; Chief Financial Officer introductory analyst meetings.</li> </ul>

Ad hoc meetings with existing and potential investors and sell-side analysts

The Board recognises the importance of having an effective relationship with its shareholders and other stakeholders. The Group has arrangements in place which enable it to communicate effectively with shareholders in respect of business strategy, governance, remuneration and any Senior Management or Board changes. It also conducts regular institutional investor meetings after the release of the annual and half year results and following the publication of each of our trading updates.

### Trading Updates

We are fully aware that the Disclosure and Transparency Rules have removed the requirement for companies to publish interim management statements to the market in between the full and half year results. We therefore undertook a review of our reporting frequency and, given the cyclical nature of our business, we believe that it is imperative that we keep our shareholders fully informed of the performance of the business on a regular basis. In addition, given that we only publish short trading updates four times a year, two of which are in preparation for the half and full year results, the burden on management time is not deemed to be excessive. We will therefore continue to publish trading updates in FY17 four times a year and will keep the position under review.

Any announcement published via the Regulatory Information Service including the half year and annual results, trading updates and other Company announcements can be found on the Company's website at [www.barrattdvelopments.co.uk/investors](http://www.barrattdvelopments.co.uk/investors).

### Board Updates

In order to ensure that all Directors are aware of, and have a clear understanding of, the views of major shareholders, the Chief Financial Officer reports regularly to the Board on the Company's

investor relations activities, including updates from the Company's brokers. Additionally, the Company's brokers presented an analysis of investor feedback during the year under review.

### Investor Meetings

The Chief Executive and the Chief Financial Officer meet regularly with investors and analysts in order to convey an understanding of the market and the Group's operations and objectives. These meetings take place throughout the year but particularly after the annual and half year results announcements. In FY16, the Directors attended a total of 161 investor meetings (133 one to one meetings and 28 group meetings). In addition, they attended a number of conferences and investor roadshows in the UK and the US. The Chairman and other Non-Executive Directors also have the opportunity to attend meetings with major shareholders at the request of either party. The Senior Independent Director is available to meet with major shareholders, as and when required, to gain an understanding of any issues and concerns.

### Remuneration Committee

During the year, the Chairman of the Remuneration Committee consulted with major investors and the principal investor advisory groups on the proposed remuneration outcomes for FY15 and the Group's approach to remuneration for FY16, in accordance with the Remuneration Policy approved at the 2014 AGM. This process was also repeated in August 2016 in respect of the FY16 outcomes and proposals for FY17.

### Annual General Meeting

All Directors, including the Chairmen of the Committees, attend the AGM and are available to answer shareholder questions. The notice of each AGM and related papers are circulated to all shareholders at least 20 working days before the meeting.

Strategic Report	<b>Governance</b>	Financial Statements	Other Information
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Graphic removed

2016  
Activity

## 2016 Activity

January	February	March	April	May	June
<ul style="list-style-type: none"> <li>&gt; Post half year end trading update.</li> <li>&gt; Institutional broker sales desk briefings.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Half year results announcement and analyst presentation.</li> <li>&gt; UK roadshow following the half year results announcement.</li> <li>&gt; Institutional broker sales desk briefings.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; US roadshow following the half year results.</li> <li>&gt; Private client brokers group meeting (Edinburgh).</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Private client brokers roadshow.</li> <li>&gt; Institutional broker sales desk briefings.</li> <li>&gt; Paris roadshow following the half year results.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Trading update.</li> <li>&gt; Institutional broker sales desk briefings.</li> <li>&gt; Goldman Sachs Small &amp; Mid Cap Symposium.</li> <li>&gt; Deutsche Bank Housebuilding Conference.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Institutional broker sales desk briefings.</li> <li>&gt; UBS UK Housing Seminar.</li> <li>&gt; Peel Hunt Builders, Industrials and Support Services Conference.</li> </ul>

Ad hoc meetings with existing and potential investors and sell-side analysts

## Major shareholders

In accordance with the UKLA's Disclosure and Transparency Rules (the 'DTRs'), all notifications received by the Company are published on the Company's website [www.barrattddevelopments.co.uk](http://www.barrattddevelopments.co.uk) and via a Regulatory Information Service.

As at 30 June 2016, the persons set out in **Table 4** have notified the Company, pursuant to DTR 5.1, of their interests in the voting rights in the Company's issued share capital.

**Table 4 – Notifiable Interests**

Name	Number of voting rights <sup>1</sup>	% of total issued share capital when notified	Nature of holding
BlackRock, Inc.	50,694,370	5.05	Indirect
Capital Research and Management Company	89,384,141	8.97	Indirect
FMR LLC	34,579,199	8.24	Indirect
Standard Life Investments Ltd	47,711,714	4.94	Direct & Indirect

<sup>1</sup> Represents the number of voting rights last notified to the Company by the respective shareholder in accordance with DTR 5.1.

Between 1 July 2016 and 6 September 2016 the following changes in respect of interests in the voting rights in the Company's issued share capital have been notified to the Company:

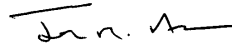
Name	Number of voting rights <sup>1</sup>	% of total issued share capital <sup>1</sup>	Nature of holding
BlackRock, Inc.	50,693,351	5.05	Indirect

<sup>1</sup> Based on the Total Voting Rights as at the relevant notification dates.

The Total Voting Rights of the Company as announced on 1 September 2016, are 1,003,771,524.

On behalf of the Board

John Allan  
Chairman



6 September 2016

## Nomination Committee report

Graphic removed



This has been a year of consolidation for the Nomination Committee following the changes to the Executive Directors in FY16.

**John Allan**  
Nomination Committee  
Chairman

### Statement from the Chairman of the Nomination Committee

The Nomination Committee plays a vital role within the business. It ensures that the Company is headed by an effective Board which is collectively responsible for the long term success of the Company. Through the strategic focus of the Nomination Committee, we can ensure that the Board has the optimum skills and experience for achieving its long term strategy and goals. We aim to build a responsive, open and transparent culture, where contributions are valued, so it is imperative to get the appointment process right.

A key focus of the Nomination Committee during the year under review was the appointment and re-appointment of Non-Executive Directors and the external Board evaluation.

One of our key areas of focus for the next financial year will be to oversee the implementation of the recommendations of the performance evaluation of the Nomination Committee.

**John Allan**  
Chairman of the Nomination Committee  
6 September 2016

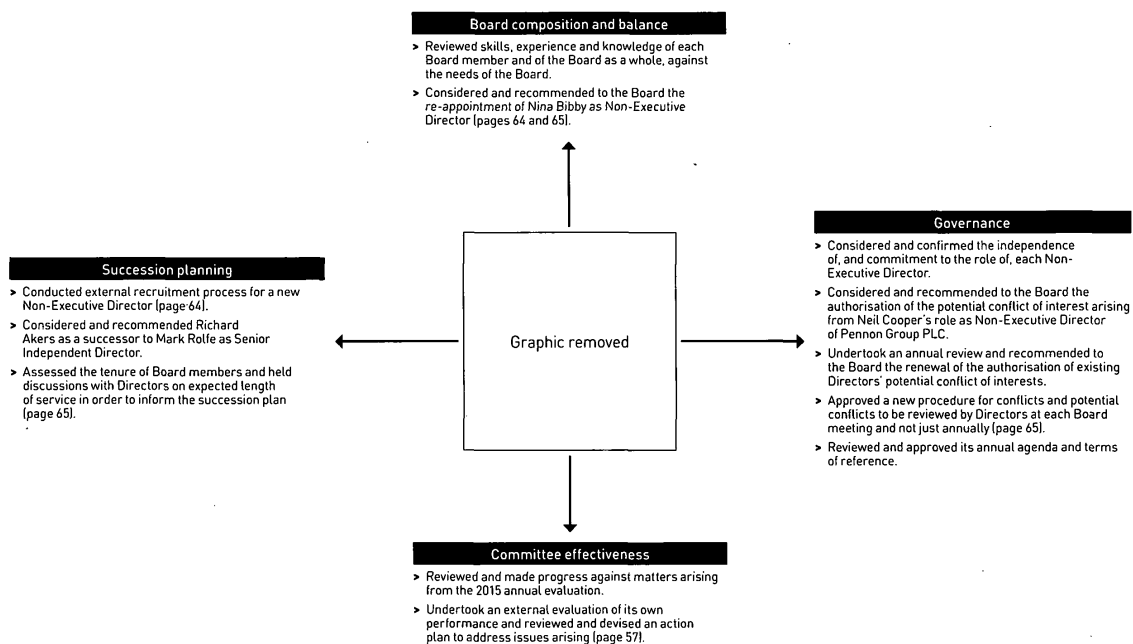
A handwritten signature in black ink, appearing to read 'John Allan', positioned above the printed name and title.

## Nomination Committee activity FY16

### Main activities undertaken during the financial year

The Nomination Committee met formally on three occasions during the year to fulfil the responsibilities delegated to it by the Board.

The main areas of focus for the Nomination Committee during the year were as follows:



Nomination Committee Terms of Reference: [www.barrattddevelopments.co.uk/investors/corporate-governance/governance-policies](http://www.barrattddevelopments.co.uk/investors/corporate-governance/governance-policies)

Nomination Committee report *continued*

### Role

The role of the Nomination Committee includes:

- monitoring the structure, size and composition of the Board;
- evaluating the balance of skills, experience, independence and knowledge of each of the members;
- making recommendations to the Board in respect of any changes required;
- leading the process for Board appointments;
- giving full consideration to succession planning for Directors and Senior Management in the course of its duties;
- regularly reviewing the time commitment required from the Chairman and the Non-Executive Directors to satisfactorily fulfil their roles; and
- considering and, if deemed appropriate, authorising potential conflict of interests.

### Membership and attendance at meetings

The membership of the Nomination Committee and the attendance at each of its scheduled meetings is set out in **Table 5**. In accordance with Code provision B.2.1, the majority of Committee members are considered independent by the Company and their biographies and qualifications are shown on pages 46 and 47.

**Table 5**

Member	Role	Number of meetings attended
John Allan	Chairman	3/3
Richard Akers	Member	3/3
Tessa Bamford	Member	3/3
Nina Bibby	Member	3/3
Mark Rolfe	Member	3/3
David Thomas <sup>1</sup>	Member	2/3

<sup>1</sup> David Thomas was unable to attend one meeting due to personal reasons. He reviewed the papers and provided comments to the Chairman prior to the meeting.

Note:  
 3/ Number of meetings attended whilst a Director.  
 /3 Number of meetings held whilst a Director.

### Appointment and re-appointment of Directors

The Nomination Committee leads the process for appointments to the Board and makes recommendations to the Board when suitable candidates have been identified. When a vacancy arises the Nomination Committee evaluates the balance of skills, experience, independence and knowledge on the Board and considers this against current and future needs to deliver its strategy. It then prepares a description of the roles and capabilities required for that appointment. The search for Board candidates is carried out, and appointments made, on merit with due regard for Board diversity and the need to maintain an appropriate balance of skills and experience. External recruitment consultants are used where appropriate.

#### Appointment of Jock Lennox

During the year, the Nomination Committee began a formal process to identify a suitable candidate to replace Mark Rolfe who indicated his intention to step down from his position through an orderly transition following eight years of service. Consideration was given to the skills and experience required of the new Director and a job description was produced. The Zygos Partnership, an independent recruitment agency, with no other connection to the Company, were then briefed in order that they could assist with the search. A list of candidates of both genders was prepared and reviewed by the Nomination Committee. Four candidates were shortlisted and met with the Chairman and Senior Independent Director. The two preferred candidates then met the remaining members of the Board. Jock Lennox, who is the Chair of a number of other Audit Committees and who demonstrated that he had the relevant financial experience, was selected to take on the role of Chairman of the Audit Committee. The Committee felt that his considerable and wide ranging experience would be an asset to the Group and recommended his appointment to the Board for approval. John Allan absented himself from the final decision to appoint Jock Lennox due to his previous working relationship with Jock at Dixons Carphone plc.

#### Re-appointment of Non-Executive Directors

Non-Executive Directors are appointed by the Board for an initial three-year term and normally serve a second three-year term, subject to re-election by shareholders and statutory provisions relating to the removal of Directors. Beyond this a third term of up to three years may be served subject to particularly rigorous review and taking into account the need for progressive refreshment of the Board. The Articles, in accordance with the Code, require any Non-Executive Director who has served nine years or more on the Board continuously to be subject to annual re-appointment.

The letters of appointment of all Non-Executive Directors (alongside the service contracts for the Executive Directors) are available for inspection by any person at the Company's registered office during normal office hours or via the Company's website ([www.barrattdevelopments.co.uk](http://www.barrattdevelopments.co.uk)). Copies will also be available at the 2016 AGM for 15 minutes before and throughout the meeting. The letters of appointment clearly set out the time commitment expected from each Non-Executive Director to ensure they satisfactorily perform their duties. The required time commitment is reviewed annually by the Board. Each Non-Executive Director confirms that they are able to allocate the time commitment required at the time of their appointment and thereafter as part of their individual annual effectiveness review undertaken by the Chairman.

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During the year, the Nomination Committee considered the re-appointment of Nina Bibby. The Nomination Committee was satisfied that Nina remains independent in character and judgement and has no other relationship or circumstance that would affect this. Nina confirmed that she would be able to continue to dedicate sufficient time to fulfil her role as a Non-Executive Director of the Company. Accordingly, the re-appointment of Nina for a second three-year term was recommended to the Board, which it fully endorsed.

#### Retirement and re-election of Directors

The Articles currently require Directors to submit themselves for re-election by shareholders at the first AGM following their initial appointment to the Board and thereafter at intervals of no more than three years. All Board members will, however, in accordance with the Code, stand for re-election by shareholders at the 2016 AGM irrespective of their date of appointment and length of service on the Board.

Biographical details of each of the Directors and supporting statements for their re-election are set out on pages 46 and 47 of this report and in the Notice of the 2016 AGM. Details of the Executive Directors' service contracts can be found in the Remuneration report on page 83.

Each of the Directors has been subject to a formal performance evaluation process and the Nomination Committee, and the Board, are satisfied that they each continue to be effective in, and demonstrate commitment to, their respective roles. The Board, therefore, recommends that shareholders approve the resolutions to be put forward at the 2016 AGM relating to the re-election of all Directors.

#### Succession Planning – Executive Directors

During the year, the Board undertook its annual review of the Group's succession plans. This involves a review of succession plans for Executive Directors and other Senior Management roles below Board level. The aim of this review is to identify suitable individuals who are capable of filling senior managerial positions and ensure that their development needs are identified and addressed. It also seeks to ensure that the Board's future needs are met. As part of their development, senior managers who are not of Board level will be invited to attend part of a Board meeting to present on their specialist area. This also enables the Board to assess the quality of internal talent and for the individual to get a greater understanding of the workings of the Board.

In order to assist with the development of senior managers, they are able to take on non-executive roles with other organisations in order that they can widen their experience. The Nomination Committee plays an active part in this process. It intends to place a greater focus on succession planning during the next year in response to the outcomes of the recent external effectiveness review.

#### Succession Planning – Non-Executive Directors

The Nomination Committee reviews annually the length of service of the Non-Executive Directors and holds conversations with the longer serving members to create a plan for the progressive refreshment of the Board.

#### Directors' conflict of interests

The Board has, in accordance with the Articles and best practice guidelines, authorised the Nomination Committee to oversee the process for reviewing and making recommendations to the Board concerning any actual or potential conflict of interests which may arise for any Board member, including details of any terms and conditions which it deems necessary to impose on any authorisation given. This process was carried out satisfactorily during the year in respect of all Directors.

The Company Secretary maintains a register of Directors' conflict of interests which is reviewed annually with recommendations made to the Board in respect of any changes to the authorisations that may be required. Following the annual review for 2015, it was agreed that the register of conflicts would be reviewed at each Board meeting. This enables each Director to review their entries and notify the Chairman and/or the Board of any new conflict or possible conflict and of any change in circumstances relating to authorisations already given. The Board, when authorising any conflict or possible conflict of interests, does not count in the quorum the Director whose conflict or possible conflict is being discussed and reserves the right to exclude a Director from a meeting whilst a conflict or possible conflict is being considered. The Board may revoke or vary any authorisation at any time.

#### Board diversity policy

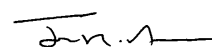
During the year, the Nomination Committee reviewed the Group's policy on diversity, including professional, international and gender diversity. This policy was in turn also considered by the Board. The Nomination Committee's primary goal remains to identify the most suitable candidate to join the Board and for other senior positions within the Group. However, it also seeks to ensure that, in managing an appointment and in succession planning, it has regard to the benefits of diversity, including but not restricted to gender diversity and its impact on effective decision making.

In terms of gender diversity the Board will continue to work only with recruitment search consultants who have adopted a voluntary code of conduct addressing gender diversity. The Board has agreed not to impose a quota regarding gender balance preferring instead to appoint strictly on merit. The Nomination Committee and the Board do recognise the need to ensure that the business reflects a diverse workforce, at all levels of seniority, whilst always seeking to ensure that each post is offered to the best available candidate. Promoting diversity at a Senior Management level and more generally within the workforce is an objective for the Chief Executive and HR Director. Progress has been made with promoting diversity within the business (see page 35, Diversity and inclusion).

Barratt Developments PLC – Diversity Policy  
[www.barrattddevelopments.co.uk/sustainability/our-policies](http://www.barrattddevelopments.co.uk/sustainability/our-policies)

This report forms part of the Corporate governance report and is signed on behalf of the Nomination Committee by:

**John Allan**  
 Chairman of the Nomination Committee  
 6 September 2016



## Audit Committee report

Graphic removed



The Audit Committee has continued to implement the changes to Corporate Governance best practice and monitor developments in accounting standards. We have reviewed the risk landscape of the business and considered in detail our principal risk areas. We are comfortable that the risk management and internal control framework in operation throughout the year was appropriate and effective.

**Mark Rolfe**  
Audit Committee  
Chairman

### Statement from the Chairman of the Audit Committee

I am very pleased to present the Audit Committee report for the financial year ended 30 June 2016. During the year, as required by the Code, we have addressed the requirements of the new long term viability statement and the Board has accepted our recommendations on the form of that statement and the related review period (see page 43 of the Strategic Report).

In this year's Committee meetings, we have had frequent discussions on key accounting judgements and the impact of the pipeline of new accounting standards. We have also held in-depth sessions with Senior Management on a variety of topics important to the business including: revenue recognition, tender processes, IT resilience, cyber security and pension provision and funding. This enables the Committee to truly understand the practical aspects of the important issues facing the Group and their related accounting judgements and policies.

In performing our role we work closely with both internal and external audit teams in order to ensure our internal control processes remain robust, our financial reporting remains clear and concise and our accounting judgements are appropriate.

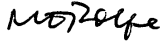
### Areas of focus for FY17

FY17 is shaping up to be another busy year. After eight years as Chairman of this Committee, I will be stepping down at the 2016 AGM and I am delighted to be handing over to Jock Lennox, a very experienced Audit Committee Chairman. Jock joined the Board on 1 July 2016 and we have been working together since then to ensure a smooth transition of ongoing matters relating to the Audit Committee.

We will be tendering the Group's external audit during FY17. The Group's tax compliance and advisory services will also be put out to tender. Further information is available on page 71.

The Audit Committee has been given its authority by the Board and acts in accordance with its written terms of reference which are available on the Company's website. In undertaking its role, the Committee has complied with its duties under the Code and will take all necessary steps to ensure compliance with the 2016 Code during FY17. Set out in the following pages is more detail of how we have discharged those duties in respect of the financial year under review.

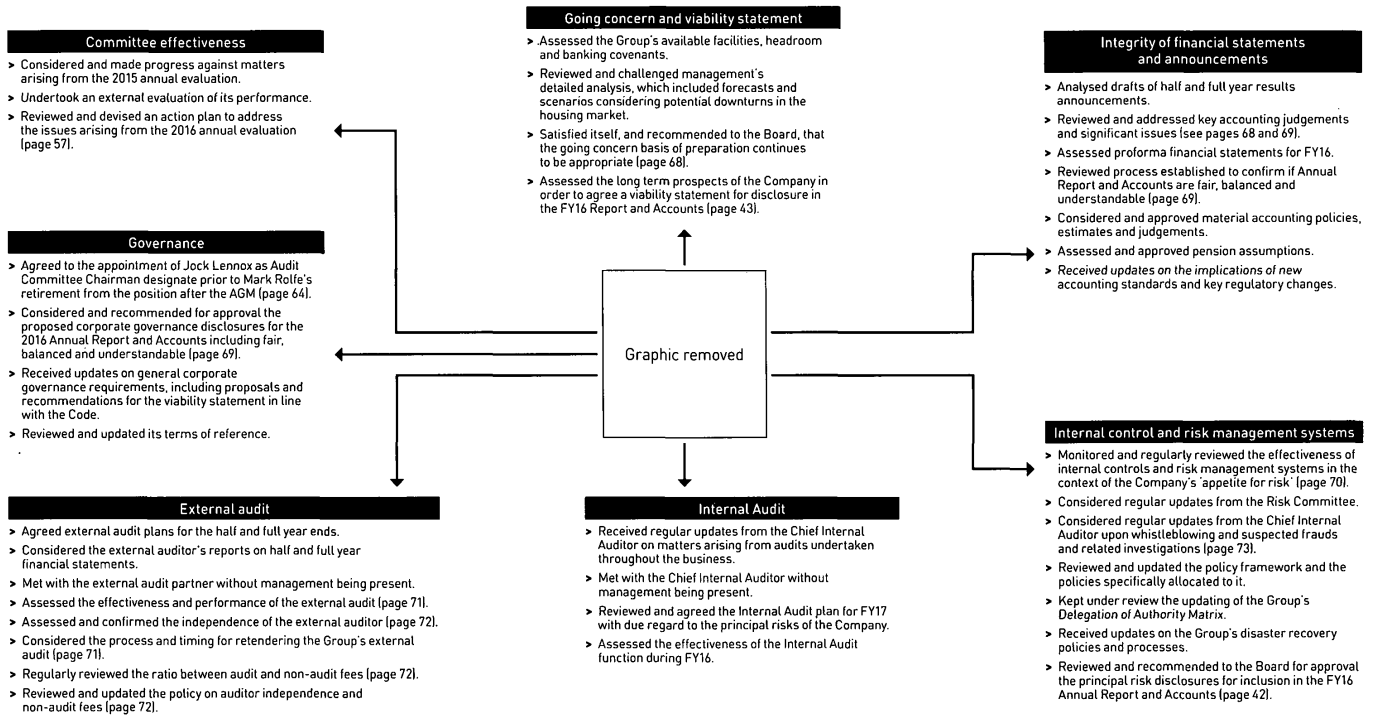
It has been a pleasure to serve you and the Company during my period in office.

  
**Mark Rolfe**  
Chairman of the Audit Committee  
6 September 2016

## Audit Committee activity FY16

### Main activities undertaken during the financial year

The Audit Committee follows an annual work programme; this covers the principal responsibilities as set under its terms of reference, which was fully completed during the year. The main areas of focus for the Audit Committee during the year were as follows:



Strategic Report	Governance	Financial Statements	Other Information
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Audit Committee report *continued*

### Role of the Audit Committee

The role of the Audit Committee is to:

- > monitor the integrity of the Group's financial statements and any proposed formal announcements relating to the Group's financial performance, including any significant financial reporting judgements and whether the Annual Report and Accounts are 'fair, balanced and understandable' and review and assess whether it provides sufficient information to assess the Company's position, performance, business model and strategy;
- > assess the prospects of the Company over a period of time agreed by the Board and consider and confirm whether there is a reasonable expectation that the Company will be able to continue in operation;
- > monitor and review the effectiveness of the Internal Audit function;
- > review the Company's principal risks, systems of internal control and risk management; and
- > keep under review the relationship between the Group and the external auditor, including their re-appointment, independence and objectivity and the effectiveness of the external audit process, whilst continually monitoring and, where required, challenging the ratio between audit and non-audit fees.

Audit Committee terms of reference – [www.barrattddevelopments.co.uk/investors/corporate-governance/governance-policies](http://www.barrattddevelopments.co.uk/investors/corporate-governance/governance-policies)

### Membership and attendance at Audit Committee meetings

In compliance with the Code, the Committee comprises exclusively of Non-Executive Directors and each of the members is considered to be independent by the Company. John Allan is not a member of the Audit Committee. The Board is satisfied that, Mark Rolfe has recent and relevant financial experience to Chair the Audit Committee. Jock Lennox, who joined the Board on 1 July 2016, will succeed Mark Rolfe as Chair of the Audit Committee in November 2016. Jock is a chartered accountant and Chairman of a number of other Audit Committees and is therefore well qualified to undertake this role effectively. There were four scheduled meetings during the year. Details of the members and attendance at each of the meetings is shown in **Table 6** and the biographies and qualifications of the members are shown on pages 46-47.

**Table 6**

Member	Role	Number of meetings attended
Mark Rolfe	Chairman	4/4
Richard Akers	Member	4/4
Tessa Bamford	Member	4/4
Nina Bibby	Member	4/4

Note:  
 4/4 Number of meetings attended whilst a Director.  
 /4 Number of meetings whilst a Director.

In addition to the Company Secretary, the Chief Internal Auditor and representatives from Deloitte LLP attended each of the Audit Committee meetings. The Audit Committee met (independently of management and the Chairman of the Board) the Chief Financial Officer, the Chief Internal Auditor and Deloitte LLP. The Chief Executive and other members of Senior Management also attended meetings (or parts thereof), by invitation. After each meeting, the Chairman reports to the Board upon the business undertaken by the Audit Committee.

### Significant issues considered during the financial year

The significant issues considered by the Audit Committee during the financial year and how each of them was addressed were as follows:

#### Going concern

The Audit Committee:

- > assessed the Group's available facilities, headroom and banking covenants;
  - > reviewed management's detailed analysis, which included forecasts and scenarios considering potential downturns in the housing market;
  - > satisfied itself, and subsequently the Board, that the going concern basis of preparation continues to be appropriate in the context of the Group's funding and liquidity position;
  - > considered the revised disclosure requirements on going concern under the Code; and
  - > performed a detailed sensitivity analysis following the UK's decision to leave the EU.
- Further details on the Group's going concern assessment can be found on page 115.

#### Financial reporting

The Audit Committee reviewed the integrity of the Financial Statements of the Group and the Company and all formal announcements relating to the Group's and Company's financial performance. This process included the assessment of the following primary areas of judgement and took into account the views of Deloitte LLP.

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## Significant financial judgements for 2016

Carrying value of land and work in progress	Goodwill and intangible assets impairment review
Land and work in progress ('WIP') are the most significant assets of the Group and as at 30 June 2016 were carried at £4,226.5m (see note 3.1 to the Financial Statements). We undertake housebuilding and commercial development and the majority of activity we carry out is not forward sold before we commence development. Accordingly, there is a risk that land and WIP may be held at a value in excess of the lower of cost and net realisable (sale) value. The Group conducts half yearly reviews of land and WIP carrying value and if the estimated net realisable value is lower than the carrying value, it impairs the land and WIP value.	The Group has £792.2m of goodwill and £100.0m of intangible assets which arose upon the acquisition of Wilson Bowden (see note 4.2 to the Financial Statements). The Group reviews the carrying value of these assets on an annual basis to ensure that the present value of the future cash flows that the housebuilding business is expected to generate is greater than the carrying value of these assets. This review includes a number of judgements around the estimation of future cash flows and the determination of an appropriate rate with which to discount these cash flows.

## How the Audit Committee addressed those judgements

Carrying value of land and work in progress valuation	Goodwill and intangible assets impairment review
The Audit Committee considered land and WIP accounting judgements review papers at its February, June and August meetings. These outlined the review process undertaken and the judgements made with regards to the estimation of further sales proceeds and further build costs. Deloitte LLP reported upon land and WIP carrying value at the February and August meetings in the context of the half year review and year end audit. Following detailed consideration of the accounting judgements papers and the findings of Deloitte LLP, the Audit Committee agreed with the judgements made by management and concluded that the carrying value of our land and WIP remains appropriate.	The Audit Committee considered a goodwill and intangible assets accounting judgements paper at its August meeting. This outlined the assumptions made, the sources for these assumptions, and the resulting valuation. Deloitte LLP reported upon goodwill and intangible assets valuation at the August meeting in the context of the year end audit. Following detailed consideration of the accounting judgements paper and the findings of Deloitte LLP, the Audit Committee agreed with the judgements made by management and concluded that the valuation of goodwill and intangible assets remains appropriate.

Available for sale financial assets was included as a significant financial judgement for 2015 but due to the sale of the majority of the assets, as described in note 3.5 of the financial statements, this is no longer considered a material item.

## Fair, balanced and understandable

The Audit Committee also undertook a detailed process to consider whether the 2016 Annual Report and Accounts were fair, balanced and understandable. It considered the feedback provided by shareholders in respect of the 2015 Annual Report and Accounts, the Group's trading updates and the information that the Board had received throughout the year. The Audit Committee received an early draft of the 2016 Annual Report and Accounts (including the risk management statement and principal risks disclosure) to allow itself sufficient time to review the disclosures therein. It also received a report from the Company Secretary which confirmed that: (i) the Annual Report and Accounts had been reviewed by the Executive Directors; and (ii) the Company had received confirmation from its external advisers, that the Annual Report and Accounts adhered to the requirements of the Code and relevant rules and regulations. The Audit Committee then assessed, at its August 2016 meeting, whether the Annual Report and Accounts were fair, balanced and understandable. It reviewed the processes underpinning the compilation and assurance of the Annual Report and Accounts, in relation to the financial and non-financial management information. It also reviewed the internal processes underpinning the Group's reporting governance framework and the reviews and findings of the Group's external legal advisers and the auditor. The Audit Committee concluded that the 2016 Annual Report and Accounts were fair, balanced and understandable and contained sufficient information for shareholders to assess the Company's position, performance, business model and strategy and recommended as such to the Board.

## Long Term Viability Statement

In accordance with section C.2.2. of the Code and the FRC guidance on Risk Management, Internal Control and Related Financial and Business Reporting, the Audit Committee considered the timescale over which it could sensibly assess the Company's ability to continue to trade, taking into account the Company's business model and prospects. It concluded that this analysis should be performed over a three-year timespan as explained on page 43 of the Strategic Report. Presentations were received from management and it was concluded that there was a reasonable expectation that the Group would be able to continue in operation and meet its liabilities over this three-year period. This was then communicated and recommended to the Board for approval.

The long term viability statement with a full explanation is shown on page 43 of the Strategic Report.

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Audit Committee report *continued*

### The effectiveness of internal controls and the risk management process

The Audit Committee plays a vital role in managing the effectiveness of internal controls and the risk management process on behalf of the Board. The key aspects of the Group's system of internal control and risk management framework are as follows:

- i) a clear organisational structure with defined levels of authority and responsibility for each operating division;
- ii) financial and management reporting systems under which financial and operating performance is consistently reviewed against budget and forecasts at divisional, regional and Group levels on a monthly basis;
- iii) identification and review of principal operational risk areas to ensure they are embedded in the Group's monthly management reporting system. This embeds the identification and control of risk as routine aspects of managerial responsibility. Details of the management of risk system, utilised and the principal risks and uncertainties and their relevance to the operations and financial performance of the Group are set out in the Risk management section on pages 41 to 45 of the Strategic Report; and
- iv) assessment of compliance with the internal control and risk management systems. This assessment is supported by the Group's Internal Audit team which is responsible for undertaking an annual audit plan, ad hoc audits and reporting to the Audit Committee, and if necessary, the Board, on the operation and effectiveness of those systems and any material failings. The planned programme of audit appraisals across Group operations is approved by the Audit Committee. It includes full divisional audits and targeted audits of key risk areas such as land acquisition and sale, cost controls and monitoring WIP, Treasury, payroll and HR. Where the Internal Audit team does not have the expertise or resources required to conduct complex audits they use external expertise.

The Group's operations and financing arrangements expose it to a variety of financial risks that include the effects of changes in borrowing and debt profiles, Government policy, market prices, credit risks, liquidity risks and interest rates. The most significant of these to the Group is liquidity risk. Accordingly, there is a regular, detailed system for the reporting and forecasting of cash flows from the operations to Group management to ensure that risks are promptly identified and appropriate mitigating actions taken. These forecasts are further stress tested at a Group level on a regular basis to ensure that adequate headroom within facilities and banking covenants is maintained. In addition, the Group has in place a risk management programme that seeks to limit the adverse effects of the other risks on its financial performance, in particular by using financial instruments, including debt and derivatives, to hedge interest and currency rates. The Group does not use derivative financial instruments for speculative purposes. Activities are delegated, by the Board, to a centralised Treasury Operating Committee, which in turn reports to the Board. The Treasury department implements guidelines in accordance with approved treasury policies that are established by the Board and the Treasury Operating Committee.

During the year the Audit Committee:

- > monitored and reviewed the effectiveness of risk management and internal controls in relation to material financial risks;

- > reviewed a number of process improvements and confirmed that the risk management and internal control systems had been in place and had operated effectively throughout the year ended 30 June 2016;
- > provided regular reports to the Board in respect of the findings of its monitoring of the effectiveness of the internal controls and risk management process, in order to assist the Board with its assessment that sound risk management and internal control systems had been maintained throughout the year to safeguard shareholders' investments as well as the Group's assets (in accordance with principle C.2 of the Code);
- > assisted the Board to determine the nature and extent of the principal risks that are appropriate for the Group to take in order to achieve its strategic objectives and to be assured that Executive Directors and Senior Management continue to implement and maintain the Group's internal control and risk management systems within the governance and policy framework approved by the Board;
- > carried out a robust assessment of the principal risks including those that would threaten the business model, future performance, solvency and liquidity and confirmed that they are being appropriately managed;
- > received presentations from management below Board level to understand risks and controls in a number of areas of the business including; revenue recognition, tender processes, IT resilience, cyber security, pension provision and funding;
- > reviewed in detail the output of the six monthly control self-certification process from each of the divisions;
- > considered all whistleblowing and suspected fraud reports and actions;
- > reviewed all internal audit results and action plans and the effectiveness of the Group Internal Audit function;
- > received regular reports from the Risk Committee in respect of the work it had undertaken to review the effectiveness of the Group's internal control policies and procedures for the identification, assessment and reporting of risks and for assessing individual key risks on a rolling basis;
- > reviewed the concurrency of the principal risks and the risk management framework to determine if the descriptions of their operation were up to date, the system of internal control remains effective and reported their findings to the Board when considering the draft half year and full year Financial Statements; assisted the Executive Committee to prioritise the risk framework by identifying the risks considered most significant to the Group and assessed their potential impact on the business of any risks identified; and
- > robustly assessed the structure deployed by the Group when assessing risks. This is set out in the Risk management section on pages 41 to 45 of the Strategic Report.

The Audit Committee is pleased with the progress with its short and medium term work programmes to date, and recognises that work will need to be continued in these areas during the next financial year. It will also review whether the internal control and risk management framework needs adjustment following the EU referendum vote.

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## Review of accounting policies

The Audit Committee considered the impact of the accounting standards adopted in the year and reviewed the Group's progress on projects to consider the impact of IFRS 9 'Financial Instruments', IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases' upon the Group's accounting policies and financial statements. Further information on the impact of accounting standards is on page 116.

## External Auditor

### i) External audit tender

The Audit Committee considered the re-appointment of Deloitte LLP as auditor to the Company and whether to tender the external audit in respect of the 2017 financial year. In arriving at its conclusion, the Audit Committee took into account:

- > feedback on the effectiveness of the external audit from divisional, regional and Group management who were closely involved in both the half year and year end reporting process;
- > Deloitte LLP was appointed as the auditor of the Company through an external tender process in 2007;
- > the appointment of Mark Goodey as the lead audit partner during FY13 and FRC guidance which suggests that the tendering could align with the five-yearly cycle of partner rotation;
- > Deloitte LLP's objectivity and independence;
- > Deloitte LLP's performance against the audit plan for FY16; and
- > the quality of advice and assistance brought to bear and received throughout the year.

Deloitte LLP's performance as auditor to the Company continues to be satisfactory. It was therefore, not considered absolutely necessary to perform a tender process for the FY17 audit. Mark Goodey will continue to act as lead audit partner for Deloitte LLP until the conclusion of the FY17 audit subject to satisfactory performance. Accordingly, the Audit Committee recommended to the Board that a resolution re-appointing Deloitte LLP as the auditor to the Company be proposed at the 2016 AGM. That recommendation was subsequently endorsed by the Board.

The Audit Committee did however recognise that it was the appropriate time for the Group external audit to be tendered by following a formal process during the first half of the year ended 30 June 2017. Should the tender exercise lead to a change in auditor, the Audit Committee will look to execute the change for the audit of the financial year ended 30 June 2018. This exercise is in line with the Code provision to consider tendering external audit every ten years and the FRC guidance that it be linked with the five-yearly lead audit partner rotation. The results of the tender exercise will be announced at the appropriate time. The Committee confirms compliance with the provisions of the Statutory Audit Services for Large Company Market Investigations (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

There are no contractual obligations that restrict the Audit Committee's choice of external auditor.

### ii) Audit effectiveness

The Audit Committee assessed the effectiveness of the external audit and concluded that the audit process as a whole had been conducted robustly and that the team selected to undertake the audit had done so thoroughly and professionally. In coming to this conclusion the Audit Committee reviewed amongst other matters:

- > Deloitte LLP's fulfilment of the agreed audit plan and the absence of any variations from it;
- > reports highlighting the material issues and accounting judgements that arose during the conduct of the audit;
- > feedback from Group and regional management finance functions and the Chief Internal Auditor on the performance of the audit; and
- > the report from the FRC's Audit Quality Review Team.

### iii) Non-audit services

The Committee has approved a policy on the use of the external auditor for non-audit purposes and continually monitors the ratio of audit to non-audit fees to ensure that it does not exceed the 1:1 ratio prescribed by that policy. For the purpose of calculating this ratio, non-audit fees relating to the interim review are classified as incurred for audit purposes. At the end of FY16, non-audit fees represented 91% of audit fees. Further details of the audit (including audit-related) and non-audit fees incurred by the Group can be found on page 119.

The majority of the non-audit fees related to audit-related assurance services comprising: the review of the Group's half year report, taxation compliance (for which Deloitte LLP were appointed on 1 December 2010 following a competitive tender process in which four of the leading audit firms took part); and also taxation advice on various land acquisitions and disposals during the year. Accordingly, the Audit Committee was satisfied that the work performed by Deloitte LLP was appropriate in the context of ensuring their independence as auditor, particularly given that the audit-related assurance services, relating to the review of the Group's half year report, is usually conducted by the Group's auditor and that the tax compliance and advisory services had been managed by a partner who has no involvement with the audit of the Group. Consequently, the Audit Committee concluded that the level of non-audit fees was justified and did not raise any concerns in terms of Deloitte LLP's independence as auditor to the Group.

The Audit Committee has agreed with Senior Management's recommendation to tender its taxation services during the first half of FY17, having last been tendered in FY11. The provider of external audit following the audit tender will not be appointed as tax adviser.

Strategic Report	<b>Governance</b>	Financial Statements	Other Information
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Audit Committee report continued

**iv) Auditor independence and non-audit fees policy**

The Audit Committee formally reviewed the policy which the Company has implemented on Auditor independence and non-audit fees (the 'Policy') during the year. For FY16, the Policy sets out the duties of the Audit Committee in this respect and the limited range of services which the auditor may provide without requiring prior approval of the Audit Committee. This helps to maintain auditor independence and to monitor non-audit fees incurred by the Group.

The review of the Policy this year had particular regard to the legislation arising from the European Commission reforms of the EU audit market which became effective from 17 June 2016 and is in accordance with the Ethical Standard. The Policy has been updated as follows:

- > the services that the external auditor is prohibited from providing have been amended in line with the legislation; and
- > the inclusion of a 70% cap on non-audit fees (based on the average of audit fees over the previous three years) in preparation for when the EU regulations become applicable to the Company in FY20.

**Prohibited Services**

Under the new policy, the services which the external auditor is excluded from providing to the Group are:

- > tax services and compliance (see exceptions opposite);
- > services that involve playing any part in the management or decision making process of the Company;
- > bookkeeping and preparing accounting records and financial statements/payroll services;
- > designing and implementing internal controls related to financial information or designing and implementing financial information technology systems;
- > valuation services (see exceptions opposite);
- > legal services/internal audit/human resource services;
- > services linked to financing, capital structure and allocation, and investment strategy of the Company;
- > promoting, dealing in or underwriting shares in the Company; and
- > any other service that the Audit Committee determines is not permissible.

**Exceptions**

Certain tax and valuation services, including tax advice will be allowed provided:

- > they have no direct or clearly inconsequential effect on the audited financial statements;
- > the auditor has documented and explained the estimated effect on the financial statements in their report to the Audit Committee;
- > the ethical principles of the ethical standards are upheld; and
- > significant reliance is not placed on the results of the non-audit service for the purpose of the Audit.

As per the previous year, the Policy continues to include restrictions on the recruitment of employees from Deloitte LLP, so that no employee (at whatever level of seniority) involved in the Company's audit for a two-year preceding period can be hired without the pre-approval of each the Chairman of the Company; the Chair of the Audit Committee and the Chief Financial Officer.

With effect from 1 July 2016, Deloitte LLP no longer provide services to the Group that are prohibited under the new Policy. Tax compliance services provided by Deloitte LLP concluded during FY16.

Under the Policy the Company is required to obtain written confirmation from Deloitte LLP that they remain independent. This is requested on an annual basis. For FY16 Deloitte LLP provided a comprehensive report to the Audit Committee verifying that they have performed their audit and audit-related services in line with independence requirements and explaining why they believe that they remain independent within the requirements of the applicable regulations and their own professional standards. The report also explains why the ratio of audit to non-audit fees and the extent and type of non-audit services provided by them is appropriate.

Following receipt of such confirmations and the completion of their own review, the Audit Committee endorsed Deloitte's conclusions that the Policy had been appropriately complied with throughout the year under review; there were no items that may affect the independence of the auditor; and non-audit fees were of an appropriate level.

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#### Internal Audit function

During the year, the Audit Committee received reports from the Chief Internal Auditor on the findings of internal audits conducted throughout the business, together with details of the proposed actions to rectify any issues identified. The Internal Audit function is fully independent of business operations and has a Group-wide mandate. The Chief Internal Auditor attends all Audit Committee meetings. In addition, the Audit Committee monitors and reviews the systems and processes adopted by the Internal Audit function to ensure that they remain fit for purpose. During the year the Committee reviewed the effectiveness of the Internal Audit function and confirmed that, in its opinion, the Internal Audit function had operated effectively and provided a level of independent scrutiny of the operations of the Group.

#### Audit Committee effectiveness

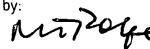
The Audit Committee successfully implemented the recommendations arising from its 2015 performance evaluation. This year the Audit Committee's evaluation was performed by an external facilitator along with the Board effectiveness review. The outcome of the review was positive, particularly in respect of each member having a clear understanding of what is expected of them to undertake and discharge their responsibilities. The outcomes are described on page 57.

#### Whistleblowing

The Chief Internal Auditor updated the Audit Committee at each meeting on new whistleblowing incidents, ongoing investigations and the outcome of any completed investigations. On the back of these updates, the Audit Committee assessed the adequacy of the Group's whistleblowing policy in accordance with the requirements of the Code. It reviewed the whistleblowing procedure adopted by the Group, including steps that can be taken to enhance awareness of the process, to ensure it remains appropriate and available to those who need to raise concerns. The procedure allows individuals who become aware of possible improper, unethical or even illegal behaviour to raise the matter with their manager or alternatively refer the matter to a confidential and independent telephone number (the 'Whistleblowing Number').

The Whistleblowing Number is available to all employees (together with sub-contractors and suppliers) 24 hours a day, seven days a week. Any issues reported to the Whistleblowing Number are immediately brought to the attention of the Chief Internal Auditor. The Chief Internal Auditor reviews and investigates the issues and, at his sole discretion, can seek guidance from appropriate individuals within the Group, such as the Company Secretary, as and when necessary.

This report forms part of the Corporate Governance report and is signed on behalf of the Audit Committee by:



**Mark Rolfe**  
Chairman of the Audit Committee  
6 September 2016

## Safety, Health and Environment Committee report

Graphic removed



Health and safety is of paramount importance to the Group. We strive to continually improve our processes and are pleased to announce that this was recognised by the British Safety Council who have again granted our health and safety management 5 star status.

**Richard Akers**

Safety, Health and Environment  
Committee Chairman

### Statement from the Chairman of the Safety, Health and Environment Committee

Safety, health and the environment ('SHE') remains a key principle of the Group which is embedded within the day-to-day operations of the business. In 2014, the Group Board established this Committee primarily to oversee and provide stewardship of the Group's SHE operational performance.

The key aspects of this Committee's role are to:

- > oversee the Group's compliance with the SHE management system;
- > identify and monitor SHE risks or exposures for the business and determine how best to mitigate against them;
- > establish and maintain policies in respect of all areas relating to safety, health and the environment;
- > assess the outcome of annual SHE internal and external audits and agree necessary actions with the Group SHE Director;
- > receive assessments from the Group SHE Director on specific incidents to gain an understanding of what caused it, details of the internal and external (if any) investigations that are being/have been undertaken and details of what steps have been taken or controls put in place to mitigate against the incident recurring; and
- > agree and recommend to the Remuneration Committee targets for any SHE performance measure which is to be applied to the annual bonus scheme and monitor performance against such measures.

The Committee continues to work closely with the SHE Operating Committee. To further enhance this relationship, the SHE Committee now holds at least one joint meeting with the SHE Operating Committee. This allows this Committee to gain a more in-depth understanding of the issues from an operational perspective and for the Committee to discuss such issues directly with those responsible for day-to-day management.

These terms of reference are available on

[www.barrattddevelopments.co.uk/investors/corporate-governance/governance-policies](http://www.barrattddevelopments.co.uk/investors/corporate-governance/governance-policies)

### Key achievements in FY16

We continue to strive to ensure that our people, whether employees, sub-contractors or members of the public, remain safe throughout the whole construction and sales process of our developments and in the wider business.

Consequently, we continually monitor, review and amend (as necessary) our SHE policies, processes and procedures to ensure that they remain up to date and relevant to the business. All employees are encouraged to familiarise themselves with these policies, processes and procedures during their induction and are invited to attend various health and safety courses throughout their time with the Group.

In addition, we have undertaken various campaigns during the year including a 'Five Steps to Safety' initiative which encourage positive behaviours and a culture of assessing risks prior to undertaking work activities. This initiative was commended by the NHBC as the leading health and safety initiative in the industry.

Such initiatives have helped us to once again achieve 5-star status with the British Safety Council following their recent health and safety audit. The audit evaluates leadership at all levels of the business and dedication to continuous improvement, in addition to other factors such as occupational health, employee well-being, safety culture and the appropriate dedication of sufficient resources to health and safety. This achievement is truly important for our business and independently illustrates that our health and safety approach, policies and procedures are of the highest quality.

In addition to preparing and undertaking this audit we have been closely monitoring our overall injury incidence rates and the underlying causes of any recurring accidents.

We have continued to monitor our SHE performance targets and our key performance indicators, which are available in the Strategic Report and our Sustainability Report.

Despite our best efforts, it is with deep regret that I have to inform you that two employees of our sub-contractors tragically lost their lives on site during the year. I can assure you that both incidents have been thoroughly investigated by our internal health and safety team and we are fully co-operating with the Health and Safety Executive during their ongoing investigations into each of the incidents. At this stage there are no defined management failures which could be directly attributed to the cause of either of the incidents and no enforcement or improvement notices have been issued by the Health and Safety Executive. Our thoughts are with the families of each of the individuals concerned during this distressing time.

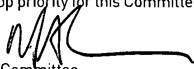
#### Areas of focus for FY17

During FY17, we will:

- > continue to review and monitor our SHE systems and processes throughout the business to ensure that they remain fit for purpose;
- > ensure that our SHE performance targets and objectives remain challenging and do not encourage inappropriate behaviours or unnecessary risk taking;
- > continue to try and identify better and safer ways to work; and
- > continue to monitor incident rates and perform causal analysis on incidents to ensure appropriate action is taken to reduce these through targeted campaigns.

Without our people, we do not have a business and therefore their safety and well-being will, as always, remain a top priority for this Committee and the Group Board.

**Richard Akers**  
Chairman of the SHE Committee



6 September 2016

#### Membership and attendance at SHE Committee meetings

The Directors who are members of the SHE Committee and their attendance at the one scheduled meeting during the year are shown in **Table 7**. The Group's SHE Director is also a member and the Company Secretary acts as Secretary to the Committee.

Only members of the SHE Committee have the right to attend meetings, however other individuals may be invited to attend all or part of any meeting where it is deemed appropriate.

**Table 7**

Member*	Role	Number of meetings attended
Richard Akers	Chairman	1/1
Steven Boyes	Member	1/1

1 The Group's SHE Director also attended 1/1 meetings during the year.

Note:

1/ Number of meetings attended whilst a Director.

/1 Number of meetings whilst a Director.

The SHE Operations Committee reports directly to the SHE Committee with the Group SHE Director presenting direct reports to these Committees and to the Board. The Group SHE Operations Committee continues to operate and is responsible for implementing and oversight of the overall SHE improvement strategy for the Group.

## Remuneration report

Graphic removed



This has been another good year for the Group. Through the effective implementation of the Group's strategy we believe we are delivering long term sustainable shareholder value. The remuneration received by the Executive Directors during FY16 reflects the achievements made against stretching targets for both short and long term incentive schemes.

**Richard Akers**

Remuneration Committee  
Chairman

### Annual statement from the Chairman of the Remuneration Committee

I am pleased to present the Remuneration Report for the year ended 30 June 2016 which summarises our Remuneration Policy, how it was implemented throughout FY16 and how it will be implemented for FY17.

### Remuneration Policy

Our Remuneration Policy was last approved by shareholders at the 2014 AGM and in accordance with the regulations on Directors' remuneration, it will remain valid for a period of three years (subject to there being no changes required). We reviewed the Remuneration Policy during FY16, taking into account the current strategy of the Company, and agreed that it remains fit for purpose. A further review will be undertaken in FY17. Any proposed changes will be discussed with shareholders prior to the revised policy being presented for approval at the 2017 AGM. As part of the review, we will take into account the report of the Investment Association's Working Group on simplification of remuneration structures and assess which, if any, of the structures would be feasible for us. We are also conscious of the Government's new intentions to make changes to executive remuneration. We will monitor these closely and will seek guidance on the implementation of any changes from our remuneration consultants as well as consult with you as necessary when the details are published.

### Management changes

In FY16 we saw major changes to the Executive Director team. David Thomas became Chief Executive replacing Mark Clare, Neil Cooper joined as Chief Financial Officer and Steven Boyes assumed more responsibilities. Details of the remuneration received by Mark until 31 July 2015, when he stepped down from the Board, are set out on pages 86 and 92. The remuneration package awarded to Neil Cooper comprised salary, pension, bonus and share awards which were all in line with our Remuneration Policy. Full details of the remuneration for the Executive Directors can be found on page 86 to 97.

In addition, Jock Lennox joined the Board as a Non-Executive Director on 1 July 2016 on the same basic fee as the existing Non-Executive Directors (page 97).

Strategic Report	<b>Governance</b>	Financial Statements	Other Information
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### FY16 Performance and outcomes

Once again, your Company met or exceeded performance against all financial metrics which were established at the beginning of the year (see Table 12 on page 87). This is a result of the strong and focused leadership from the Executive Directors and the Senior Management team as well as the hard work and commitment of all employees across the Group. The Committee agreed that the financial performance of the Company fully supports an annual bonus payment of 146.1% of salary for Executive Directors.

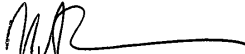
In addition, the performance of the LTPP award granted in October 2013 was tested after the year end and 100% of the award vested. The net shares (after the payment of any tax and NI due on release) will be transferred to participants in October 2016. Full details of the achievements against each of the bonus and LTPP targets can be found on pages 87 and 88 respectively.

### FY17 Executive Director Remuneration

As you are aware, on 23 June 2016, the UK voted to leave the EU, creating great uncertainty within the UK and global economies. Consequently, whilst it is envisaged that the metrics for the FY17 annual bonus and any LTPP award will be similar to those of FY16 (and will remain in line with our Remuneration Policy), the Committee has, following advice from its remuneration consultants, decided to defer setting the actual targets until October 2016 when it is hoped that there will be more clarity over the impact of the EU Referendum. The Committee will, as always, ensure that these targets, are stretching and challenging, promote the long term success of the Company and seek to attract, retain and motivate Executive Directors and Senior Management required to continue to drive the business strategy.

### Conclusion

We believe that our remuneration policies and practices remain sufficiently challenging and drive appropriate behaviours by management that are in the long term interest of the Company and its shareholders. FY17 will be an interesting and challenging year for the Company as we see the impact of the EU Referendum unfold. Your support to date has been invaluable and I, together with the Committee, hope that we will continue to receive your support through these uncertain times.

  
**Richard Akers**  
 Chairman of the Remuneration Committee  
 6 September 2016

### Our remuneration strategy

Our most important asset is our people. Our remuneration strategy seeks to ensure that Executive Directors' remuneration (and that of Senior Management) is clearly linked to the delivery of sustainable shareholder value and that they are appropriately rewarded for performance against the Group's key objectives.

#### Aims of our Remuneration Policy:

- > promote the long term success of the Company and be fully aligned with the performance and strategic objectives of the Group in order to enhance shareholder value;
- > reward the delivery of profit, the maintenance of an appropriate capital structure and the continued improvement of return on capital employed by the business whilst ensuring that Executive Directors and Senior Management adopt a level of risk which is in line with the risk profile of the business as approved by the Board;
- > reflect the interests and expectations of shareholders and other stakeholders;
- > attract, retain, motivate and competitively reward Executive Directors and Senior Management with the requisite experience, skills and ability to support the achievement of the Group's key strategic objectives in any financial year;
- > take account of pay and employment conditions of employees across the Group; and
- > ensure that there is no reward for failure; termination payments (if any) are limited to those that the Executive Director (or member of Senior Management) is legally entitled to; and in exercising its discretion, the Committee robustly applies the 'good' and 'bad' leaver provisions as defined in the rules of each of the share schemes operated by the Group.

#### In developing its policy the Committee has regard to:

- > the Company's business strategy, ensuring that targets support the achievement of business strategy and key KPIs;
- > the performance, roles and responsibilities of each Executive Director or member of Senior Management;
- > arrangements which apply below Senior Management level, including average base salary increases;
- > information and surveys from internal and independent sources; and
- > the economic environment and financial performance of the Group.

**For full details of our Remuneration Policy see pages 64 to 74 of our 2014 Annual Report and Accounts.**

## Remuneration report – Overview

Below is a summary of the remuneration package for Executive Directors throughout FY16, together with the targets set for variable remuneration, our performance against such targets and the resulting remuneration outcomes. Full details can be found in the Annual report on remuneration on pages 86 to 97.

### FY16 Executive Directors' remuneration package

Fixed element (c. 27% of total reward assuming maximum performance)

Salary + Pension + Benefits

Performance-related element (c. 73% of total reward assuming maximum performance)

Annual incentive

Long term performance

Annual Bonus  
(max 150% of salary)



Bonus in excess of 100% of  
salary deferred into shares

Performance Share Plan  
(max 200% of salary)

#### FY16 Performance metrics and link to strategy:

##### Financial – 105% of salary

Profit before tax – 60%  
(support profitability)  
Land – 22.5%  
(drive the ownership of optimum amount of land to support  
business activities)  
Capital employed – 22.5%  
(support strategic financial performance and Balance  
Sheet stability)

##### Non-Financial / strategic / personal – 45% of salary

Health and safety – 15%  
(drive health and safety performance throughout the business)  
Customer Care – 15%  
(drive the customer experience throughout the business)  
Personal Objectives – 15%  
(incentivise the achievement of role specific targets)

#### FY16 Performance metrics and link to strategy:

Earnings per Share (EPS) – 1/3  
(to support the increase of earnings)  
Return on capital employed (ROCE) – 1/3  
(optimises the efficiency and profitability of investments)  
Total Shareholder Return (TSR) – 1/3  
(to align interests of Directors with those of shareholders)

Two-year continued holding period commencing  
at the end of performance period

### Our performance in FY16

Graph removed	Graph removed	Graph removed	Graph removed	Graph removed	Graph removed
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<sup>1</sup> Includes interim dividend of 6 pence per share paid in May 2016 and the proposed final dividend of 12.3 pence per share and special dividend of 12.4 pence per share for FY16, both of which are subject to shareholder approval.



#### Errata Statement

Dear Reader

#### **Barratt Developments PLC – 2016 Annual Report and Accounts**

Following the publication of our 2016 Annual Report and Accounts on 5 October 2016, the following typographical errors have been identified in the Remuneration Report:

1. Table 12 page 87: The capital employed threshold figure reads £2,691.9m but should read £2,961.9m.
2. Table 13 page 87: The bonus deferred for FY16 has been included to the pound despite the column heading indicating that the number should be in thousands. The figures in that column should therefore read 312 and not 311,711 for David Thomas, 247 and not 246,694 for Steven Boyes and 122 and not 122,118 for Neil Cooper.
3. Footnote 3 page 88: the number of shares that lapsed in respect of Mark Clare's award reads 91,200 but should be 91,283. The number of shares that vested for Mark Clare is shown correctly.
4. Table 16 page 91: 2,013 shares are shown as granted to Steven Boyes under the 3 year Sharesave scheme during FY16. These shares were actually granted in FY15. The 2,013 shares should therefore have been shown in the 'unvested shares as at 1 July 2015' column.

We apologise for these typographical errors. Further, we have reviewed and amended our proofing procedures to mitigate against such errors occurring again.

Should you have any queries on the above please do not hesitate to contact me on 01530 278278 in the first instance.

For and on behalf of Barratt Developments PLC

A handwritten signature in black ink, appearing to read "Tina Bains", is written over a horizontal line.

Tina Bains  
Company Secretary

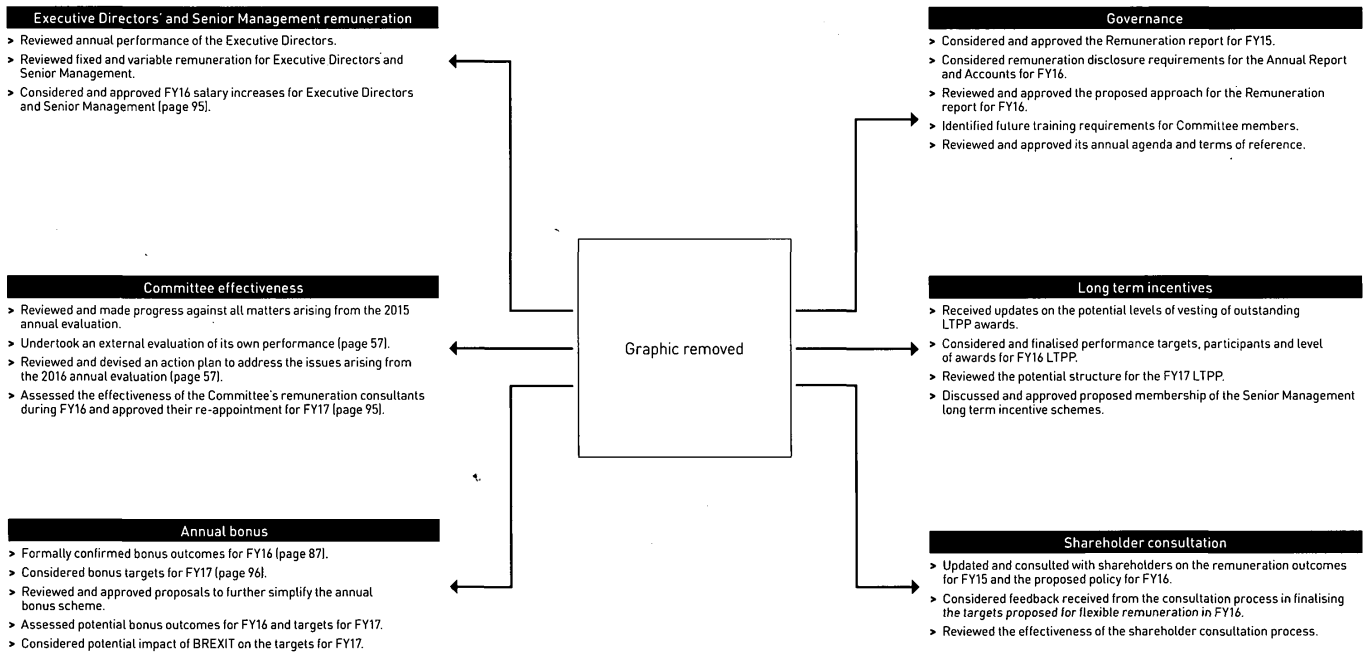
Barratt Developments PLC, Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF  
Telephone 01530 278278 • Fax 01530 278279 • Web [www.barrattdevelopments.co.uk](http://www.barrattdevelopments.co.uk)

Barratt Developments PLC, Registered in England and Wales, Registered Number 00604574, Registered Office: Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF.

## Remuneration Committee activity FY16

### Main activities undertaken during FY16

The Remuneration Committee follows an annual work programme: this covers the principal responsibilities as set out in its terms of reference, which was fully completed during the year. The main areas of focus for the Remuneration Committee during the year were as follows.



Remuneration Committee terms of reference - [www.barrattdevelopments.co.uk/investors/corporate-governance/governance-policies](http://www.barrattdevelopments.co.uk/investors/corporate-governance/governance-policies)

## Remuneration report Directors' Remuneration Policy – summary

The Policy is summarised in the tables below and on pages 83 to 85. The Policy was approved by shareholders at the 2014 Annual General Meeting held on 12 November 2014. No changes are proposed to the Policy for FY17. It is our intention to put the Remuneration Policy to a binding vote at the AGM in 2017 in line with the Regulations.

The full version of the Policy can be found on pages 64 to 74 of the 2014 Annual Report and Accounts which is available on our website at [www.barrattddevelopments.co.uk/investors/results-reports-and-presentations/rp-2014](http://www.barrattddevelopments.co.uk/investors/results-reports-and-presentations/rp-2014).

A description of how the Company implemented the Policy in FY16 can be found on pages 86 to 95 and details of how the Policy is intended to be applied in FY17 are set out on pages 95 to 97.

Element of pay	How operated in practice	Additional information
<b>Base salary</b>		
To help promote the long term success of the Company, attract and retain high-calibre Executive Directors and reflect the roles and responsibilities of each of the Executive Directors.	Salaries are paid monthly in arrears. The aim is to provide a competitive salary relative to comparable companies in terms of size and complexity.	Normally reviewed annually and fixed for 12 months with effect from 1 July. See page 95 for Executive Directors' salaries with effect from 1 July 2016.
<b>Benefits (taxable)</b>		
To support the health and well-being of Executive Directors whilst they undertake their roles.	Benefits include: <ul style="list-style-type: none"> <li>&gt; company car;</li> <li>&gt; annual medical screening;</li> <li>&gt; private medical insurance;</li> <li>&gt; some telephone costs; and</li> <li>&gt; contributions towards obtaining independent tax advice.</li> </ul>	The Committee does have the discretion to offer other benefits, if it deems appropriate, to secure the appointment of a new Executive Director and to ensure that the benefits package for existing Executive Directors remains competitive in the market.
<b>Pension</b>		
To assist Executive Directors plan for retirement.	In accordance with legislation, Executive Directors are enrolled into a workplace pension. If Executive Directors choose to opt-out of the workplace pension they can elect to either: <ul style="list-style-type: none"> <li>&gt; participate in the Company's money purchase pension plan; or</li> <li>&gt; receive a salary supplement.</li> </ul> Executive Directors are also eligible for an insured lump sum of up to five times pensionable salary on death in service.	The defined benefit section of the Group's pension scheme closed to new entrants in 2001 and future accrual of defined benefits for current members ceased to be offered on 30 June 2009. Steven Boyes remains a member of this part of the scheme. Details of the pension salary supplements for each of the Executive Directors are set out on page 93.
<b>Annual bonus</b>		
To motivate and reward Executive Directors and Senior Management for the achievement of demanding financial objectives and key strategic measures over the financial year.	Executive Directors are eligible to earn a discretionary annual bonus. The bonus is not pensionable. The level of bonus awarded to each Executive Director is dependent on the achievement of a number of Group and individual performance targets. Bonuses up to 100% of base salary are paid in cash. Any bonus earned in excess of this (up to a maximum of 50% of base salary) is compulsorily deferred into shares under the Deferred Bonus Plan ('DBP'), see below.	When setting bonus targets, the Committee considers the effect of corporate performance on environmental, social and governance risks and sustainability issues generally to ensure that remuneration structures do not inadvertently motivate irresponsible behaviour. The performance targets set are stretching whilst having regard to the nature and risk profile of the Company and the interests of its shareholders. Performance conditions are based on a mixture of financial and non-financial targets. Performance against FY16 targets can be found on page 87.

Strategic Report	Governance	Financial Statements	Other Information
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Element of pay	How operated in practice	Additional information
<b>Long Term Performance Plan ('LTTP')</b>		
To motivate and reward Executive Directors and Senior Management for the delivery of the long term performance of the Group.  To facilitate share ownership by Executive Directors and Senior Management.	Executive Directors are eligible to participate in the Company's LTTP.  Annual LTTP awards can be equal to a maximum of 200% of base salary and are for a period of three years with a two-year continued holding period attached to the end of the performance period.	LTTP awards are usually granted following the final results announcement in September of each year.  The Committee sets performance targets for each award and ensures that targets, whilst stretching, are realistic and attainable, for the long term benefit of the Group; and do not encourage inappropriate business risks.  Performance so far against the targets for the awards made in FY15 and FY16 can be found on page 89.  Details of the awards due to be granted in FY17 are set out on page 96.
<b>Deferred Bonus Plan ('DBP')</b>		
To encourage long term focus and to further align interests of the Executive Directors and Senior Management with those of shareholders and discourage excessive risk taking.	Any annual bonus which is deferred into shares is held in this plan for a period of three years and is subject to a continued employment condition.  Deferred shares may be forfeitable if an individual leaves prior to the release date.  Deferred shares do not accrue dividends.	For any bonus deferred prior to November 2015, the Committee utilises the rules of the Group's Co-Investment Plan (the 'CIP') for the purposes of the DBP. From FY16, deferred shares will be held in accordance with the DBP as approved by shareholders at the 2015 AGM. Under these rules the Committee has discretion to award matching shares (the 'Matching Award') should it deem appropriate. The Committee has not and does not intend to award such shares for FY16 or FY17.  Details of any bonus deferred into shares for FY16 can be found on page 87.
<b>Executive Share Option Scheme ('ESOS')</b>		
To encourage or facilitate the holding of shares in the Company by or for the benefit of bona fide employees and former employees of the Company and its subsidiaries.	No awards can be granted under the ESOS in the same financial year as an award is granted under the LTTP.  The Committee retains the discretion to make future awards under the ESOS should market conditions dictate that it is more appropriate to grant under the ESOS than the LTTP.	The last award, made under the ESOS in December 2009, vested in December 2012. Executive Directors have until 9 December 2019 to exercise their vested option, after which time it will lapse. No Executive Directors exercised their ESOS options during the year.  Details of the Executive Directors' remaining option holdings can be found on pages 90 to 92.
<b>Savings Related Share Option Scheme ('Sharesave')</b>		
To promote long term share ownership amongst all employees of the Group in a tax-efficient way, linking employee benefits to the performance of the Group and to aid retention of staff.	Under the standard terms of the Sharesave, all employees who have completed the minimum level of employment as at the invitation date as agreed by the Board, are eligible to participate in the Sharesave.  Employees can elect to save between a minimum of £5 and the maximum monthly savings limit as approved by the Committee and the Board, for a period of three or five years. At the end of the savings period, employees have six months in which to exercise their option.	The three-year Sharesave granted in March 2013 matured on 1 June 2016. David Thomas exercised his options following the vesting of the 2013 three-year Sharesave Scheme in accordance with the rules and elected to retain his shares.  Options granted to Executive Directors under the Sharesave Scheme can be found in table 15 (page 89).

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Remuneration report – Directors’ Remuneration Policy – summary *continued*

Element of pay	How operated in practice	Additional information
<b>Shareholding requirement</b>		
To further align the interests of Executive Directors and Senior Management to those of shareholders.	Executive Directors and Senior Management are required to build up and retain a shareholding in the Company’s shares within five years of being appointed to the Group.  The share price used for the purposes of determining the value of the shares is that prevailing on 30th June <sup>1</sup> .  There is no mandatory requirement for the Non-Executive Directors, including the Chairman, to hold shares however there is an expectation that they will acquire some shares following their appointment.	The Chief Executive and other Executive Directors are required to build up and retain a total shareholding in the Company’s shares equivalent to 200% and 150% of base salary respectively (the ‘Total Shareholding’ <sup>2</sup> ).

Clawback and malus provisions apply to all short and long term variable remuneration (except the ESOS Scheme) in the event of material misconduct and/or material misstatement or error of financial results. For full details see page 85.

<sup>1</sup> Vested schemes that have not yet been released will be valued by reference to the higher of the share price paid on acquisition or vesting on 30 June.

<sup>2</sup> ‘Total shareholding’ (included net of income tax except for Owned shareholdings) include all ‘Owned shareholdings’, shares held under a vested but unexercised option, shares held under the Deferred Bonus Plan, and vested shares under the LTPP subject to ongoing restrictions. The Chief Executive and other Executive Directors must ensure that their Total Shareholding is made up of at least 67% and 50% respectively of ‘Owned Shareholding’<sup>3</sup>.

<sup>3</sup> ‘Owned shareholding’ include shares held directly, by a spouse, partner or children under 18, in an ISA or PEP and in a pension or trust arrangement.

**Guidelines of Responsible Investment Disclosure**

In line with the ABI Guidelines on Responsible Investment Disclosure the Committee is satisfied that the incentive structure and targets for Executive Directors do not raise any environmental, social, or governance risks by inadvertently motivating irresponsible or reckless behaviour. The Committee considers that no element of the remuneration package will encourage inappropriate risk taking within the Company.

**Summary of the Remuneration Policy for the Chairman and Non-Executive Directors**

Element of pay	How operated in practice	Additional information
<b>Non-Executive Directors’ fees (including the Chairman)</b>		
To reflect the time commitment and the skills and experience required for the role.	The remuneration of the Chairman and the Non-Executive Directors is reviewed annually taking into account the fees paid by other companies in the housebuilding sector.  Non-Executive Directors’ fees are paid monthly in arrears.  No additional fees are payable for membership of Board Committees however, additional fees are paid to the Chairmen of the Audit, the Remuneration and the Safety, Health and Environmental Committees and to the Senior Independent Director. See page 97 for full details.	The remuneration of the Non-Executive Directors is set by the Board on the recommendation of a Committee of Executive Directors and the remuneration of the Chairman is set by the Board on the recommendation of the Committee.  Non-Executive Directors’ fees are set out on page 97.  The Non-Executive Directors do not participate in any performance related schemes (e.g. annual bonus or incentive schemes) nor do they receive any pension or private medical insurance or taxable benefits other than the potential to receive gifts at the end of a long-standing term of appointment and travel/hospitality benefits related to their role as Directors.

### Executive Directors' service contracts

Details of the Executive Directors' service contracts are included in **Table 8** below and their emoluments are shown in **Table 10** (page 86). The Company's policy is for all Executive Directors' (including new appointments) service contracts to be for a rolling 12 month period which can be terminated by 12 months' notice given by either the Company or by the Executive Director at any time. The service contracts entitle Executive Directors to the provision of a company car, annual medical screening, private medical insurance, some telephone costs and contributions to the cost of obtaining independent tax advice. The Committee regularly reviews the contractual terms for Executive Directors to ensure that they continue to reflect best practice.

All Executive Directors' appointments and subsequent re-appointments are subject to election and annual re-election by shareholders at the Company's Annual General Meeting.

**Table 8 – Executive Directors' service contracts**

Executive Director	Service contract date	Date of appointment	Notice period
David Thomas	16 January 2013	21 July 2009	12 months
Steven Boyes	21 February 2013	1 July 2001	12 months
Neil Cooper	17 June 2015	23 November 2015	12 months

Executive Directors' service contracts are available for inspection by any person at the Company's registered office during normal office hours and on the Company's website at: [www.barrattdevelopments.co.uk](http://www.barrattdevelopments.co.uk).

### Chairman and Non-Executive Directors' letters of appointment

The Chairman and each of the Non-Executive Directors are appointed under terms set out in a letter of appointment. They do not have service contracts and their appointments can be terminated (by the Board) without compensation for loss of office and by giving the appropriate length of notice as prescribed in their respective letters of appointment. The notice period applicable, from either party, for the Chairman is three months and for each of the other Non-Executive Directors is one month.

Under governance policies approved by the Board, Non-Executive Directors are appointed for a three-year term and usually serve a second three-year term subject to performance review and re-election by shareholders. Beyond this a further term of up to three years may be served subject to rigorous review by the Chairman and the Nomination Committee and re-election by shareholders. Details of Non-Executive Directors' letters of appointment can be found in **Table 9**.

**Table 9 – Non-Executive Directors' letters of appointment**

Non-Executive Director	Date elected/ re-elected at AGM	Date first appointed to the Board	Date last re-appointed to the Board
John Allan	11 November 2015	1 August 2014	N/A
Tessa Bamford	11 November 2015	1 July 2009	1 July 2015
Mark Rolfe	11 November 2015	1 May 2008	1 May 2014
Richard Akers	11 November 2015	2 April 2012	2 April 2015
Nina Bibby	11 November 2015	3 December 2012	3 December 2015
Jock Lennox	N/A	1 July 2016	N/A

The letters of appointment for Non-Executive Directors are available for inspection by any person at the Company's registered office during normal office hours and on the Company's website at: [www.barrattdevelopments.co.uk](http://www.barrattdevelopments.co.uk).

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Remuneration report – Directors’ Remuneration Policy – summary *continued*

In accordance with Code provision D.2.1, each of the members of the Committee (including John Allan at the date of his Board appointment) is considered to be independent with no financial interest in the Committee’s decisions, other than as shareholders and the fees paid to them. Details of their shareholdings and fees can be found on pages 89 and 97 respectively.

**Recruitment of Executive Directors**

The Committee will determine the remuneration for any new Executive Director in accordance with the Policy as set out in the Future Policy Table on pages 64 to 69 of the 2014 Annual Report and Accounts and will take into consideration each of the following elements:

**Salary and benefits** – the Committee will take into account: market data for the scope of the job; remuneration for the relevant role; salaries of and benefits provided to existing Executive Directors; and the new Executive Director’s experience, location and current base salary and benefits package. In the event an Executive Director is recruited at below market levels, their base salary may be re-aligned over a period of time (e.g. two to three years) subject to their performance in the role. The Committee may also agree to cover relocation costs, if it is deemed appropriate.

**Pension** – Executive Directors will be auto-enrolled from the date of recruitment unless they opt-out. If an Executive Director chooses to opt-out they may elect to receive a pension supplement in cash. The Committee has discretion to determine the level of pension supplement to be awarded to each Executive Director, up to a maximum of 30% of base salary, having regard to the pension supplement given to existing Executive Directors. Alternatively, the Executive Director may choose to join the defined contribution money purchase pension plan provided they meet all of the eligibility criteria. The Executive Director also has the option to receive some of their pension entitlement in cash and have the remainder contributed to the defined contribution money purchase pension plan, provided this does not, in aggregate, exceed 30% of base salary.

**LTPP** – new Executive Directors may be able to participate in the LTPP on terms to be considered by the Committee on a case by case basis. Any award made to the new Executive Director will usually be on the same terms as set out in the Policy. The level of the award will be no greater than that made to existing Executive Directors and will be pro-rated based on the remaining time span of the relevant performance period.

The Committee may also consider buying out incentive awards which an individual would forfeit upon leaving their current employer, again this would be reviewed on a case by case basis. The Committee would however in all cases seek validation of the value of any potential incentive the individual is likely to forfeit and take into account the proportion of the performance period remaining of the award, the type of award (i.e. cash/shares) and the performance achieved (or likely to be achieved). Replacement share awards, if any, will be capped at the amount which the individual will forfeit and will be subject to the performance conditions applicable under the terms of the Executive Director share scheme in operation at the time.

Where an individual is recruited internally to the position of Executive Director, the Company will honour any pre-existing contractual commitments.

**Executive Directors’ policy on payment on loss of office**

Historically, there have been no specific provisions for compensation on early termination (except for payment in lieu of holidays accrued but untaken) or loss of office due to a change of ownership of the Company. The Committee also reserves the right to make additional payments where such payments are made in good faith: (a) in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or (b) by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director’s office or employment. The Committee will apply mitigation against any contractual obligations as it deems fair and reasonable and will seek legal advice on the Company’s liability to pay compensation. It also seeks to reduce the level of any compensation payable and takes into account, amongst other factors, the individual’s and the Group’s performance; the Director’s obligation to mitigate their own loss; and the Director’s length of service when calculating termination payments. The Committee reserves the right to phase any such payments if it deems that it is appropriate to do so. Any amount that the Committee decides to pay an Executive Director will be based on the main elements of Executive Remuneration namely, base salary, annual bonus (subject to the Committee’s discretion), benefits and pension. For new appointments to the Board, the Company can, at its discretion, terminate a Director’s appointment and pay them only a monthly salary for the 12 month notice period or until such time as the Director secures another job, whichever is the earlier.

The Committee also takes into account the rules of the annual bonus and long term incentive schemes when determining any payments for loss of office as follows:

**Annual bonus** – in terms of the annual bonus, in accordance with the provisions contained within the service contracts, Executive Directors are not usually entitled to any bonus payment (other than in circumstances where they are deemed by the Committee as a ‘good leaver’, which includes but is not limited to redundancy, retirement, ill-health or disability or any other circumstance which the Committee may decide), unless they remain employed and are not under notice as at the payment date. Any bonus payment for a ‘good leaver’ will be based on the individual performance of the Executive Director concerned, as well as the Company’s performance during the relevant period. Such payment will be pro-rated depending on the proportion of the bonus period worked by the relevant individual.

**Deferred bonus** – for any bonus deferred into shares, if the Executive Director is deemed to be a ‘good leaver’ (as defined above), he will be entitled to retain the shares subject to settling any tax and national insurance liability that may become due on release of the shares. In all other cases, the shares will lapse immediately on the date that the Executive Director’s employment with the Company ends and there is no entitlement to any compensation for the loss of the shares.

In the event any matching awards have been granted to the Executive Director, these will lapse immediately unless the individual is leaving for a ‘permitted reason’ (this includes, but is not limited to, redundancy, retirement, ill-health or disability). If the Executive Director is leaving for a permitted reason, the unvested award will vest after the deferral period in line with the other awards. However, the number of matching shares to be released to a good leaver will be pro-rated based on the proportion of the performance period that has been completed and the level of the performance conditions that have been met up to that date.

**LTPP** – under the rules of the LTPP, unless the Executive Director is deemed by the Committee to be a ‘good leaver’ (as previously defined) any LTPP awards held by him will lapse on cessation of his employment. If he is a ‘good leaver’, the number of shares subject to the award will be pro-rated based on the proportion of the performance period that has been completed by him. No shares will, however, be released to the Executive Director, until the normal vesting date, being three years from the date of grant. During this time the shares will continue to be subject to the relevant performance conditions until the end of the performance period, at which point the Committee will test the performance conditions and determine how much, if any, of the remaining shares will vest.

**Change of control** – the rules of each share scheme operated by the Company contain provisions relating to a change of control. In the event that a change of control does occur any unvested options/awards will become vested on the date of the relevant event. However, the number of options/awards that vest will be pro-rated depending on the remaining time span of the relevant performance period and the level of performance conditions achieved during that period. Options/awards which have already vested as at the date of the relevant event may still be exercised within the prescribed timescales set out in the rules.

#### Non-Executive directorships

Subject to Board approval, Executive Directors are permitted to accept one Non-Executive directorship outside the Company and retain any fees received from such a position. Executive Directors are not allowed to take on the Chairmanship of any FTSE 100 company. Board approval will not be given for any Non-Executive position where such appointment would lead to a material conflict of interest or would have an adverse effect on the Director’s ability to perform their duties to the Company.

#### Gifts to Directors on leaving employment

The Committee reserves the discretion to approve gifts to long serving Directors who are retiring or who are considered by the Board to be leaving in good faith e.g. those leaving office for any reason other than dismissal or misconduct. The value of the gift for any one Director shall be limited to a maximum of £5,000 and where a tax liability is incurred on such a gift the Committee has the discretion to approve the payment of such liability on behalf of the Director in addition to this maximum limit.

#### Legacy arrangements

In approving the Policy, authority is given to the Company to honour any previously disclosed commitments entered into with current or former Directors including, but not limited to, payment of pensions or the vesting/exercise of past share awards.

#### Clawback and Malus

Both the annual bonus (including any deferred bonus and any matching element) and the LTPP are subject to the Company’s power of clawback and malus (‘Clawback’) for a period of two years following vesting. ‘Clawback’ is applicable in respect of any annual bonus paid/deferred and to any share awards granted under the LTPP or the ESOS from 30 June 2010 onwards, subject in the case of HMRC approved options, to such approval. In addition, ‘Clawback’ will also apply to any awards granted under any Senior Management share schemes.

#### Clawback can be invoked if:

- it is necessary to restate the Group’s accounts used to calculate a participant’s entitlement to bonus or share awards in circumstances where the original over-statement has led to a bonus being paid/deferred or share awards being granted which would not otherwise have been paid or granted; or
- the participant is found guilty of any criminal activity in connection with his or her employment and this related to an act which led to a bonus being paid/deferred or share awards being granted to him or her.

In such circumstances, the Committee may determine that the bonus and/or share award will be retrospectively recalculated. If bonus monies have been paid, the participant will be required to reimburse the Company for an amount up to the total amount of the net bonus paid, less any bonus that the Committee determines would have been paid regardless of the event in question. If share awards have been granted, the number of awards or options granted will be reduced accordingly. If the award has vested and shares have been issued to the participant, the participant will be required to repay the value of the relevant number of shares based on the Company’s closing share price as at the date the shares were issued.

## Annual report on remuneration

In this section, we describe how the Policy has been implemented throughout FY16 together with the resulting payments to Directors and how the Policy will be applied in FY17. The Annual report on remuneration will be subject to an advisory vote at the 2016 AGM.

### Directors' remuneration outcomes for FY16

#### Single figure of remuneration

The total remuneration for each of the Directors for the financial year ended 30 June 2016 is as set out in **Tables 10** and **11** below:

**Table 10 – Executive Directors' single figure of remuneration (Audited)**

	Salary £000		Benefits <sup>1</sup> (taxable) £000		Annual Bonus <sup>2</sup> £000		LTPP £000	Pension Benefits £000		Sharesave Scheme £000		2016 Total £000	2015 Total £000	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16 <sup>3</sup>	2014/15 <sup>4</sup>	2015/16	2014/15	2015/16 <sup>5</sup>	2014/15 <sup>6</sup>		
David Thomas	676	454	15	15	988	635	1,456	3,493	169	136	16	–	3,320	4,733
Steven Boyes	535	454	38	30	782	635	1,456	3,493	134	136	–	34	2,945	4,782
Neil Cooper <sup>8</sup>	275	–	9	–	387	–	245	–	66	–	–	–	982	–
<b>Former Directors</b>														
Mark Clare <sup>7</sup>	58	701	3	44	–	980	1,758	5,394	18	210	–	34	1,837	7,363
<b>Total</b>	<b>1,544</b>	<b>1,609</b>	<b>65</b>	<b>89</b>	<b>2,157</b>	<b>2,250</b>	<b>4,915</b>	<b>12,380</b>	<b>387</b>	<b>482</b>	<b>16</b>	<b>68</b>	<b>9,084</b>	<b>16,878</b>

<sup>1</sup> Benefits (taxable) include the provision of a company car or car allowance, annual medical screening, private medical insurance, some telephone costs and contributions towards obtaining independent tax advice.

<sup>2</sup> Includes amount deferred for David Thomas, Neil Cooper and Steven Boyes (see Table 13 on page 87). Mark Clare received his entire 2014/15 bonus in cash in accordance with the retirement arrangements agreed.

<sup>3</sup> Performance conditions tested after 30 June 2016 and 100% of the award is due to vest in October 2016. The market price of shares has been calculated based on an average market value over the three months to 30 June 2016 (£5.37 per share).

<sup>4</sup> In accordance with regulatory requirements, the values in this column have been re-calculated using share price of £6.54 per share being the market value of the shares on the vesting date, 24 October 2015, as opposed to the market price of £5.70 per share calculated based on an average market value over the three months to 30 June 2015 as disclosed in last year's Remuneration report.

<sup>5</sup> The Sharesave Scheme, granted in March 2013, was subject to a continued employment condition and matured on 1 June 2016. The value is calculated using a share price of £5.74 per share being the mid market close price of a share on the date of maturity.

<sup>6</sup> The Sharesave Scheme, granted in March 2012, was subject to a continued employment condition and matured on 1 June 2015. The value is calculated using a share price of £5.96 per share being the mid market close price of a share on the date of maturity.

<sup>7</sup> Mark Clare retired from his position as a Director of the Board on 31 July 2015 and from the Company on 31 October 2015. The payment above shows the remuneration received by Mark Clare during his period serving as a Director. Mark Clare received a full bonus payment for FY15 but was not entitled to any bonus for the year ended 30 June 2016.

<sup>8</sup> Neil Cooper was appointed to the Board on 23 November 2015 and his salary and bonus reflects the period served on the Board.

**Table 11 – Non-Executive Directors' single figure of remuneration (Audited)**

	Fees £000		Benefits (taxable) £000		2016 Total £000	2015 Total £000
	2015/16	2014/15	2015/16 <sup>1</sup>	2014/15		
John Allan	300	203 <sup>1</sup>	0	–	300	203
Richard Akers	71	63	0	–	71	63
Tessa Bamford	56	48	–	–	56	48
Nina Bibby	56	48	–	–	56	48
Mark Rolfe	71	63	1	–	72	63
<b>Former Directors</b>						
Bob Lawson <sup>2</sup>	–	98	–	11	–	109
<b>Total</b>	<b>554</b>	<b>523</b>	<b>1</b>	<b>11</b>	<b>555</b>	<b>534</b>

<sup>1</sup> Reflects a fee of £48,000 p.a. for the period 1 August 2014 to 11 November 2014 and £300,000 p.a. from 12 November 2014 onwards.

<sup>2</sup> Bob Lawson stepped down from his position as Chairman of the Company at the conclusion of 2014 AGM on 12 November 2014. Benefits (taxable) relates to the value of the gift (£5,000) and the tax payable thereon (£6,000 including VAT), presented to Bob by the Board to reflect the significant contribution he made during his period of service.

<sup>3</sup> Benefits (taxable) include expenses incurred in attending the Company's main corporate office and are £348 for John Allan, £470 for Richard Akers and £1,325 for Mark Rolfe.

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## Annual bonus

For the year under review, Executive Directors had the potential to earn an annual bonus of up to 150% of base salary, 135% of which is based on the attainment of Group performance targets and 15% on personal objectives, both of which are linked directly to the Group's strategy. Any bonus earned in excess of 100% of base salary is deferred into shares for a period of three years. All targets, Group and personal, were agreed towards the beginning of the financial year. The Group performance targets which applied to the bonus for FY16 and the level of bonus achieved were as follows:

**Table 12 – Annual bonus (Audited)**

Bonus target	Strategic objective	Targets	Potential bonus weighting	Actual performance	Bonus achieved	Payable in cash	Payable in shares
			% of salary	Achievement	% of salary	% of salary	% of salary
Profit before tax	Increase profitability	Threshold: £600m Target: £645m Maximum: £680m	12% 30% 60%	£682.3m	60.0%	13.9%	46.1%
Capital employed	Increase focus on the capital employed position	Threshold: £2,691.9m Target: £2,936.9m Maximum: £2,911.9m	4.5% 11.25% 22.5%	£2,605.5	22.5%	22.5%	-
Land bank owned and controlled	To ensure appropriate future land supply	Land bank owned: 4.3 – 4.6 years	22.5%	4.5 years	22.5%	22.5%	-
Health and safety <sup>1</sup>	To create a safe environment for employees and other stakeholders	SHE audit compliance: 94% or above 85% or less: No more than 0.45% of sites	15%	96.0% 0.2%	15.0%	15.0%	-
Customer service	To increase focus on providing a high quality service to our customers and maintain 5 Star status	HBFI/NHBC Star rating: 5 Star <sup>2</sup>	15%	5 Star	11.1%	11.1%	-
Personal objectives <sup>3</sup>	To focus individuals to achieving the Group's strategic objectives	Threshold: 1.5% Target: 7.5% Maximum: 15%	15%	David Thomas 15.0% Steven Boyes 15.0% Neil Cooper 15.0%	15.0%	15.0%	-

<sup>1</sup> In the case of a material breach of SHE policy or procedures, the SHE Committee retains discretion to withhold all or part of the bonus depending on the nature of the breach.

<sup>2</sup> Customer service metric will be pro-rated based on the number of divisions achieving the required standard. For FY16, 20/27 divisions achieved the required standard.

<sup>3</sup> The Committee assessed the performance of each Director individually and in the context of the Company's performance against meeting the above strategic objectives and concluded that they had fully met the range of specific personal objectives set for them for the year.

**Table 13 – Executive Directors' deferred bonus**

	2015/16 Deferred Bonus			2016/15 Deferred Bonus		
	% of salary deferred <sup>1</sup>	Amount deferred £000	Number of shares <sup>2</sup>	% of salary deferred <sup>1</sup>	Amount deferred £000	Number of shares <sup>2</sup>
David Thomas	46.1%	311,711	TBC <sup>3</sup>	39.8	181	27,531
Steven Boyes	46.1%	246,694	TBC <sup>3</sup>	39.8	181	27,531
Neil Cooper	46.1%	122,118	TBC <sup>3</sup>	-	-	-

<sup>1</sup> The Executive Directors earned a total bonus of 139.8% and 146.1% of base salary for FY15 and FY16 respectively. The bonus earned in excess of 100% of base salary will be deferred into shares. Mark Clare did not receive any annual bonus for the period between 30 June 2015 and his retirement from the Company on 31 October 2015. Neil Cooper's deferred bonus has been pro-rated based on the period he has been employed during the performance period.

<sup>2</sup> Shares are held in the CIP (pre-FY16) and DBP (post-FY16) for a period of three years commencing from the date of the award and subject to a continued employment condition.

<sup>3</sup> The number of shares will be determined based on the share price calculated by averaging the closing middle-market quotations, as derived from the Daily Official List of the London Stock Exchange, for the first five dealing days following the date on which the Group announces its FY16 annual results. The actual number of shares awarded in respect of the FY16 deferred bonus was not therefore available as at the date of this report and will be disclosed in next year's report.

Remuneration report – Annual report on remuneration *continued*

## Long Term Performance Plans

## Vesting of 2013/14 LTPP (included in 2015/16 Single Figure) (Audited)

The 2013/14 LTPP award granted on 23 October 2013 was based on performance to the year ended 30 June 2016 and will vest on 23 October 2016. The performance conditions for this award and the resulting vesting level is as follows:

Metric	Performance condition	Threshold target	Stretch target	Actual	% of award vesting
EPS	Absolute EPS growth for the financial year ended 30 June 2016.	30p	40p	Basic EPS 55.1p <sup>1</sup>	50 <sup>1</sup>
TSR	TSR against the constituents of the FTSE 250 index (excluding investment trusts). 25% of this element vests for median performance and 100% of this element vests for upper quartile performance or above. TSR measured over three financial years with a three month average at the start and end of the performance period.	Median ranking of 91.5 (TSR of 32.5%)	Upper quartile of 46.0 (TSR of 68.4%)	Rank of 28 (TSR of 88.7%)	50
<b>Total level of award vesting</b>					<b>100</b>

<sup>1</sup> The actual earnings per share of 55.1 pence has been rebased using the corporation tax rate applicable at the date on which the 2013/14 LTPP targets were set, as the subsequent reduction to the rate of corporation tax was not performance related. The actual earnings per share has also been rebased using the same number of shares in issue as used in the 2013/14 LTPP targets. The rebased earnings per share used for the purpose of determining vesting, which is directly comparable to the 2013/14 LTPP targets, was 55.8 pence.

The Committee considered the underlying financial performance of the Group and was satisfied that given the continued improvement in the Group's financial results, the above level of vesting of the 2013/14 LTPP was justified. Accordingly, the gross number of shares to be released to each of the Executive Directors are as follows:

Executive Director	Number of shares at grant	Number of shares to vest <sup>1</sup>	Number of shares to lapse	Dividends on shares to vest	Total	Estimated value <sup>2</sup> (£000)
David Thomas	271,230	271,230	–	N/A	271,230	1,456
Steven Boyes	271,230	271,230	–	N/A	271,230	1,456
Neil Cooper	45,705	45,705	–	N/A	45,705	245
<b>Former Directors</b>						
Mark Clare <sup>3</sup>	418,830	327,547	–	N/A	327,547	1,758

<sup>1</sup> The relevant number of shares will be released to each participant as soon as is practicable in October 2016, following the vesting date.

<sup>2</sup> The estimated value of the vested shares is based on the average share price during the three months to 30 June 2016 (£5.37 per share).

<sup>3</sup> Mark Clare left the Company's employment on 31 October 2015 therefore the shares vesting to him under the 2013/14 LTPP reflect the period of service from 1 July 2013 until 31 October 2015. 91,200 shares lapsed on 31 October 2015. His shares will be released on the usual vesting date along with other participants.

## LTPP granted during the year (the '2015/16 LTPP') (Audited)

On 19 October 2015, the following 2015/16 LTPP awards were granted to Executive Directors:

Executive Director	Type of award	Basis of award granted	Share price at date of grant (pence)	Number of shares over which award was granted	Face value of award (£000)	% of face value that would vest at threshold performance	Vesting determined by performance over
David Thomas	Conditional award	200% of salary £676,000	632	212,244	1,341	25	Three financial years to 30 June 2018
Steven Boyes	Conditional award	200% of salary £535,000	632	167,974	1,062	25	
Neil Cooper <sup>1</sup>	Conditional award	200% of salary £454,000	605	122,440	741	25	

<sup>1</sup> Neil Cooper's award was made on 21 December 2015 after joining the Company and was pro-rated to take account of the portion of the performance period employed.

The 2015/16 LTPP is subject to three performance conditions, one-third TSR, one-third EPS and one-third ROCE. The levels of vesting against TSR are measured over a three-year period commencing 1 July 2015, and against EPS and ROCE for the financial year ending 30 June 2018. Once the performance test has been completed, assuming shares vest, they will be subject to a further two-year holding period. The performance against targets for these awards in addition to previous awards are set out on page 89.

## CFO Scheme

In December 2015, the Company granted the following awards to Neil Cooper. These awards were designed in quantum to compensate for awards which were forfeited by Neil on leaving his previous employment. They were structured to mirror the vesting timescales and performance conditions of the Company's awards made in 2013 and 2014, so his incentives are aligned with those of the other Executive Directors. Shares that vest on 20 October 2017 are subject to a two-year holding period commencing 1 July 2017. These performance based share awards were structured as share options with a nominal exercise price of the par value of the Company's shares of 10 pence per share.

Date of Grant	Share price at date of grant (pence)	Number of shares over which award was granted	Option price (pence)	Face value of award (£000)	% of face value that would vest at threshold performance	Exercisable from	Exercisable to
21 Dec 2015	605	45,705	10	277	25%	23 Oct 2016	6 Nov 2016
21 Dec 2015	605	76,175	10	461	25%	20 Oct 2017	6 Nov 2017

#### Table 14 – Performance of current LTTP plans against targets

Given the commercial sensitivity of the EPS and ROCE targets set for the 2014/15 and 2015/16 LTTPs to the Group's future strategy, the Committee agreed that it would not publish these targets prospectively but would set out performance against the targets on an annual basis. The metrics and performance to date against the targets set at the outset of the awards are shown below:

##### 2014/15 Award

Last year we disclosed performance and potential level of vesting of this award against targets over a single year. The table below shows the potential level of vesting if performance was measured over a two year period to the 30 June 2016:

Performance target	Performance as at 30 June 2014	Level of vesting had the award vested as at 30 June 2016
TSR	55.4%	33.3%
EPS	55.1 pence	26.9%
ROCE	27.1%	33.3%
<b>Total</b>		<b>93.5%</b>

##### 2015/16

Outlined below is the potential level of vesting for the 2015/16 LTTP, had the performance period been for one year to 30 June 2016:

Performance target	Performance as at 30 June 2014	Level of vesting had the award vested as at 30 June 2016
TSR	-1.8%	14.2%
EPS	55.1 pence	0%
ROCE	27.1%	25.8%
<b>Total</b>		<b>40.0%</b>

#### Statement of Directors' shareholding and share interests (Audited)

For the financial year ended 30 June 2016 Executive Directors were required to hold shares in the Company equivalent in value to 200% of salary for the Chief Executive and 150% of salary for the other Directors. In addition the Executive Directors were also required to have a minimum owned shareholding in the Group (see page 82 for definition) of 67% salary for the Chief Executive and 50% for other Executive Directors. The Chief Executive and other Executive Directors are expected to meet this requirement no later than the fifth anniversary of joining the Board, with progress being made throughout the period. Participants who have not built up the required level of 'Owned and Total Shareholdings' by the end of the defined period, will not be eligible for inclusion in future share-based incentive schemes nor will they be allowed to sell shares until they reach the levels specified, unless exceptional circumstances exist in the opinion of the Committee.

At 30 June 2016, both David Thomas and Steven Boyes have met the shareholding requirement. In accordance with the Policy, Neil Cooper has until 23 November 2020 to meet the relevant requirement.

The interests of the Directors serving during the financial year and their connected persons in the ordinary share capital of the Company at the beginning and end of the year are shown in Table 15 below. No notification has been received of any change in the interests shown during the period 30 June 2016 to 7 September 2016 inclusive, with the exception of the shares to be deferred in respect of the bonus earned in excess of 100% of base salary by Executive Directors for the financial year ended 30 June 2016 the details of which can be found on page 87.

To be classified as a 'good leaver' from the Company, the Chief Executive and the other Executive Directors, will be required to commit to continue retaining a Total Shareholding of 100% and 75% respectively of the value of their final salary in the Company's shares for two years post their leaving date.

#### Table 15 – Directors' interests in shares (Audited)

	Beneficially owned as at 1 July 2015	Beneficially owned as at 30 June 2016	Outstanding share awards under all employee share plans as at 30 June 2016	Owned Shareholding as a % of salary as at 30 June 2016 <sup>1</sup>	Owned Shareholding requirement met (Y/N)	Total Shareholding as a % of salary as at 30 June 2016 <sup>1</sup>	Total Shareholding requirement met (Y/N)
David Thomas	931,577	1,280,726	1,101,766	767%	Y	886%	Y
Steven Boyes	478,275	827,498	838,272	626%	Y	687%	Y
Neil Cooper <sup>3</sup>	-	-	248,054	0%	N	0%	N
John Allan	3,102	3,102	-	N/A	N/A	N/A	N/A
Richard Akers	40,000	40,000	-	N/A	N/A	N/A	N/A
Tessa Bamford	32,542	34,010	-	N/A	N/A	N/A	N/A
Nina Bibby	8,500	8,500	-	N/A	N/A	N/A	N/A
Mark Rolfe	71,821	75,062	-	N/A	N/A	N/A	N/A
<b>Former Directors</b>							
Mark Clare <sup>2</sup>	311,103	-	584,825	-	N/A	-	N/A

1 Calculated in accordance with the Group's Remuneration Policy.

2 Mark Clare retired from his position as a Director of the Board on 31 July 2015 and from the Company on 31 October 2015.

3 Neil Cooper has until 23 November 2020 to build up his shareholding.

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**Table 16 – Executive Directors' conditional awards and share options (Audited)**

Details of the conditional awards and share options over shares held by the Executive Directors who served during the year are as follows:

Date of grant	Unvested shares at 1 July 2015 (number)	Vested shares at 1 July 2015 (number)	Granted (number)	Exercised (number)	Lapsed (number)	Outstanding shares as at 30 June 16 (number)	Market price on award (pence)	Exercise price (pence)	Market price at exercise/ vesting (pence)	Gain receivable (£000)	Date from which exercisable/ capable of vesting <sup>1</sup>	Expiry Date
<b>David Thomas</b>												
<b>Conditional share options</b>												
ESOS <sup>2</sup>	10.12.2009	-	8,350	-	-	8,350	-	117.84	-	-	10.12.2012	09.12.2019
ESOS <sup>2</sup>	10.12.2009	-	208,056	-	-	208,056	-	121.39	-	-	10.12.2012	09.12.2019
Sharesave (3 year)	27.03.2013	4,398	-	(4,398)	-	-	-	204.60	354.0 <sup>10</sup>	6	01.06.2016	30.11.2016
Sharesave (5 year)	30.04.2014	4,297	-	-	-	4,297	-	349.00	-	-	01.07.2019	31.12.2019
Sharesave (5 year)	27.04.2016	-	-	3,112	-	3,112	-	482.00	-	-	01.07.2021	31.12.2021
<b>Conditional awards</b>												
DBP <sup>3</sup>	12.10.2012	116,903	-	(116,903)	-	-	170.14	-	613.5	717	12.10.2015	-
LTPP <sup>4</sup>	24.10.2012	534,493	-	(534,493)	-	-	160.90	-	613.5	3,279	24.10.2015	-
DBP	02.10.2013	65,769	-	-	-	65,769	326.90	-	-	-	02.10.2016	-
LTPP <sup>5</sup>	23.10.2013	271,230	-	-	-	271,230	325.00	-	-	-	23.10.2016	-
DBP	09.10.2014	57,091	-	-	-	57,091	386.00	-	-	-	09.10.2017	-
LTPP <sup>6</sup>	20.10.2014	244,086	-	-	-	244,086	372.00	-	-	-	20.10.2017	-
DBP	19.10.2015	-	-	27,531	-	27,531	656.00	-	-	-	19.10.2018	-
LTPP <sup>7</sup>	19.10.2015	-	-	212,244	-	212,244	637.00	-	-	-	19.10.2018	-
<b>Total</b>		<b>1,298,267</b>	<b>216,406</b>	<b>242,887</b>	<b>(655,794)</b>	<b>-</b>	<b>1,101,766</b>	<b>-</b>	<b>-</b>	<b>4,002</b>	<b>-</b>	<b>-</b>

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	Date of grant	Unvested shares at 1 July 2015 (number)	Vested shares at 1 July 2015 (number)	Granted (number)	Exercised (number)	Lapsed (number)	Outstanding shares as at 30 June 16 (number)	Market price on award (pence)	Exercise price (pence)	Market price at exercise/ vesting (pence)	Gain receivable (£000)	Date from which exercisable/ capable of vesting <sup>1</sup>	Expiry date
<b>Steven Boyes</b>													
<b>Conditional share options</b>													
Sharesave (3 year)	28.03.2012	-	7,200	-	(7,200)	-	-	-	125.00	632.0	36	01.06.2015	30.11.2015
Sharesave (3 year)	30.04.2014	2,578	-	-	-	-	2,578	-	349.00	-	-	01.07.2017	31.12.2017
Sharesave (3 year)	29.04.2015	-	-	2,013	-	-	2,013	-	447.00	-	-	01.07.2018	31.12.2018
<b>Conditional awards</b>													
DBP <sup>3</sup>	12.10.2012	111,746	-	-	(111,746)	-	-	170.14	-	613.5	686	12.10.2015	-
LTPP <sup>4</sup>	24.10.2012	534,493	-	-	(534,493)	-	-	160.90	-	613.5	3,279	24.10.2015	-
DBP	02.10.2013	65,769	-	-	-	-	65,769	326.90	-	-	-	02.10.2016	-
LTPP <sup>5</sup>	23.10.2013	271,230	-	-	-	-	271,230	325.00	-	-	-	23.10.2016	-
DBP	09.10.2014	57,091	-	-	-	-	57,091	386.00	-	-	-	09.10.2017	-
LTPP <sup>6</sup>	20.10.2014	244,086	-	-	-	-	244,086	372.00	-	-	-	20.10.2017	-
DBP	19.10.2015	-	-	27,531	-	-	27,531	656.00	-	-	-	19.10.2018	-
LTPP <sup>7</sup>	19.10.2015	-	-	167,974	-	-	167,974	637.00	-	-	-	19.10.2018	-
<b>Total</b>		<b>1,286,993</b>	<b>7,200</b>	<b>197,518</b>	<b>(653,439)</b>	<b>-</b>	<b>838,272</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,001</b>	<b>-</b>	<b>-</b>
<b>Neil Cooper</b>													
<b>Conditional share options</b>													
CFO Scheme <sup>8</sup>	21.12.2015	-	-	45,705	-	-	45,705	-	10.00	-	-	23.10.2016	06.11.2016
CFO Scheme <sup>8</sup>	21.12.2015	-	-	76,175	-	-	76,175	-	10.00	-	-	20.10.2017	03.11.2017
Sharesave (3 year)	27.04.2016	-	-	3,734	-	-	3,734	-	482.00	-	-	01.07.2019	31.12.2019
<b>Conditional Awards</b>													
LTPP <sup>7</sup>	21.12.2015	-	-	122,440	-	-	122,440	637.00	-	-	-	19.10.2018	-
<b>Total</b>		<b>-</b>	<b>-</b>	<b>248,054</b>	<b>-</b>	<b>-</b>	<b>248,054</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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Remuneration report – Annual report on remuneration *continued*

**Former Directors**

	Date of grant	Unvested shares at 1 July 2015 (number)	Vested shares at 1 July 2015 (number)	Granted (number)	Exercised (number)	Lapsed (number)	Outstanding shares as at 30 June 16 (number)	Market price on award (pence)	Exercise price (pence)	Market price at exercise/ vesting (pence)	Gain receivable (£000)	Date from which exercisable/ capable of vesting <sup>1</sup>	Expiry date
<b>Mark Clare<sup>9</sup></b>													
<b>Conditional awards</b>													
DBP <sup>3</sup>	12.10.2012	184,123	–	–	(184,123)	–	–	170.14	–	613.5	1,130	12.10.2015	–
LTPP <sup>4</sup>	24.10.2012	825,357	–	–	(825,357)	–	–	160.90	–	613.5	5,064	24.10.2015	–
DBP	02.10.2013	101,560	–	–	(101,560)	–	–	326.90	–	–	–	02.10.2016	–
LTPP <sup>5</sup>	23.10.2013	418,830	–	–	–	(91,283)	327,547	325.00	–	–	–	23.10.2016	–
DBP	09.10.2014	88,160	–	–	(88,160)	–	–	386.00	–	–	–	09.10.2017	–
LTPP <sup>6</sup>	20.10.2014	376,891	–	–	–	(207,773)	169,118	372.00	–	–	–	20.10.2017	–
<b>Total</b>		<b>1,994,921</b>	<b>–</b>	<b>–</b>	<b>(1,199,200)</b>	<b>(299,056)</b>	<b>496,465</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>6,194</b>	<b>–</b>	<b>–</b>

- The earliest date on which an award may vest, in normal circumstances, having fulfilled all qualifying conditions, after which ordinary shares under conditional awards are transferred automatically to the participants as soon as possible and share options can be exercised.
- The ESOS is divided into two sub-schemes, one of which is approved under the Income Tax (Earnings and Pensions) Act 2003 and the other of which is not. The exercise price is calculated differently for each sub-scheme in accordance with the rules of the ESOS. Executive Directors have until 9 December 2019 to exercise their options under the ESOS.
- 100% of this award vested on 12 October 2015. The relevant number of shares were released to each participant thereafter following the settlement of any tax and national insurance liabilities due on the shares.
- 100% of this award vested on 24 October 2015. The relevant number of shares were released to each participant thereafter following the settlement of any tax and national insurance liabilities due on the shares.
- This award was tested after 30 June 2016 and 100% of the award will vest in October 2016 (see page 86 for further details).
- Award based on an allocation of ordinary shares equivalent in value to a maximum of 200% of base salary. One third of the award is subject to a three-year TSR performance condition, one third is based on the achievement of an EPS target for the financial year ending 30 June 2017 and the remaining third is based on the achievement of a ROCE target for the financial year ending 30 June 2017. There is no re-testing of performance conditions. See page 89 for an update on performance to date against the targets.
- See page 88 for details.
- Granted on joining as replacement awards for those forfeited by leaving his previous employment as described on page 88.
- Mark Clare left the Board on 31 July 2015 and the employment of the Company on 31 October 2015. His deferred bonus awards were released to him shortly after leaving as per the rules of the scheme. His LTPP awards have been time pro-rated and will be issued at the normal vesting date for the award subject to the original performance conditions being met.
- This reflects the share price as at 27 June 2016, being the date on which David Thomas exercised his option.

All conditional awards and share options are subject to an overriding Committee discretion, in that the Committee must be satisfied that the underlying financial performance of the Group over the performance period warrants the level of vesting as determined by applying the relevant targets. If the Committee is not of this view, it has the authority to reduce the level of vesting as it deems appropriate.

### Dilution

On maturity or vesting of any of its share incentive schemes the Company satisfies the awards through: a new issue of shares; market purchases; or the Employee Benefit Trust (the 'EBT'). During the financial year ended 30 June 2016, the Company continued to satisfy all outstanding Executive options and awards under the LTTP, 2009/10 ESOS, the DBP and the Sharesave through a new issue of shares, subject to the dilution limits described below. Awards made to individuals below Senior Management level continued to be satisfied through shares currently held, or to be purchased in the market, by the EBT.

The Company regularly monitors the number of shares issued under its schemes and the impact on dilution limits. The Company is satisfied that as at 30 June 2016 its usage of shares is compliant with the relevant dilution limits set by the Investment Association in respect of all share plans (10% of the Company's issued share capital in any rolling ten-year period) and discretionary share plans (5% of the Company's issued share capital in any rolling ten-year period). In the event that the outstanding options under each of the schemes to be satisfied through a new issue of shares were to vest and had been exercised on 30 June 2016, the resulting issue of new shares would represent 1.9% of the Company's issued share capital as at that date.

### Executive Directors' pension arrangements

The Company's pension policy for Executive Directors is that on joining the Group they will be auto-enrolled unless they choose to opt-out. Upon opting-out, the Executive Director may choose to receive a cash supplement (which does not count for incentive purposes) and/or participate in the Company's defined contribution money purchase pension plan. Each of the Executive Directors has opted to receive a cash supplement in lieu of pension, which for FY16 was equal to 25% of base salary and is in line with market practice. The Remuneration Committee felt it was appropriate to reduce the Executive Directors' pension entitlements to 25% base salary in order to better align with market practice. Only the base salary element of a Director's remuneration is pensionable.

### Defined benefit section

Steven Boyes was a deferred member of the defined benefit section of the Barratt Group Pension and Life Assurance Scheme (the 'Scheme') during the year ended 30 June 2016.

The Scheme was closed to new entrants in 2001 and on 30 June 2009, the Company exercised its consent under the rules of the Scheme and agreed to cease offering future accrual of defined benefits for current members. Members of the Scheme became eligible to join the defined contribution money purchase section of the Scheme with effect from 1 July 2009.

Until 30 June 2009, Steven Boyes was an active member of the defined benefit section of the Scheme. This entitlement was based on a 1/60 accrual rate and a normal retirement age of 65. Since 1 July 2009, Steven Boyes has been entitled to receive a cash supplement equal to 25% (30% prior to 1 July 2015) of his base salary per annum.

The last full actuarial valuation of the Scheme as at 30 November 2013 showed a deficit of £34.8m calculated on the basis of the Scheme's technical provisions. The Company and the Trustees of the Scheme have agreed a plan to address the shortfall which requires the Company to continue to make deficit reduction payments of £13.3m per annum until 30 November 2015, followed by payments of £9.5m per annum from 1 December 2015 until 31 December 2016. It is expected that the Company will continue to make deficit reduction payments at this level until 28 February 2018 (or until the Scheme reaches full funding on its long term funding basis, if earlier). The Company will discuss the funding requirements of the Scheme with the Trustees alongside the next actuarial valuation of the Scheme which is due on 30 November 2016. The valuation for the Financial Statements was updated to 30 June 2016 by a qualified independent actuary and a surplus of £8.1m (2015: surplus of £5.3m) is included in the Group Balance Sheet as shown in note 6.2.2 of the Financial Statements.

Members of the Scheme are also eligible for an insured lump sum of up to five times pensionable salary on death in service. Current employees who were members of the defined benefit section of the Scheme at closure also retain their dependants' pension entitlements.

No excess retirement benefits have been paid to or are receivable by current and/or past Directors in respect of their qualifying services during the financial year and there are no arrangements in place that guarantee pensions with limited or no abatement on severance or early retirement.

### Payments to former Directors and those leaving the Group (Audited)

No payments were made in respect of loss of office during the year ended 30 June 2016 (30 June 2015: £nil) except otherwise disclosed in this Remuneration Report. Also, no payments were made to any former Directors during the year ended 30 June 2016 (30 June 2015: £nil) except otherwise disclosed in this Remuneration report.

Upon his retirement, Mark Clare received leaving gifts totalling £4,990, with any tax due on this payment being settled by the Company.

### Chief Executive's Relative pay

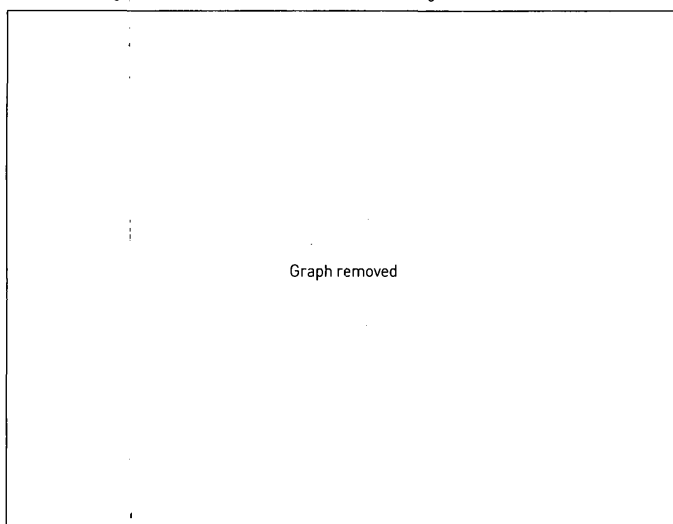
Table 17 sets out: (i) the total pay, calculated in line with the single figure methodology; (ii) the annual bonus pay out as a percentage of maximum; and (iii) the long term incentive ('LTI') vesting level for the Chief Executive over a seven-year period (David Thomas for FY16 and Mark Clare for FY10-15):

#### Table 17 – Chief Executive's pay (Audited)

	Seven years to 30 June 2016						
	2010	2011	2012	2013	2014	2015	2016
Chief Executive's total pay (£000)	1,417	1,220	2,099	4,310	6,430	7,363	3,320
Bonus outturn (as percentage of maximum opportunity)	90.2	36.6	99.2	100.0	100.0	93.2	97.4
LTI vesting percentage	0.0	0.0	32.8	73.9	95.8	100.0	100.0

### Total Shareholder Return performance graph

Chart 1, prepared in accordance with the BIS Regulations, shows the TSR performance over the last seven years against the FTSE 350 (excluding investment trusts) and against an unweighted index of listed housebuilders. The Board has chosen these comparative indices as the Group and its major competitors are constituents of one or both of these indices. The TSR has been calculated using a fair method in accordance with the BIS Regulations.



### Percentage change in remuneration of Chief Executive compared to employees

**Table 18** shows the percentage change in salary, benefits and annual bonus earned by the director undertaking the role of Chief Executive on 30 June 2015 and 30 June 2016, compared to that of the average pay of all employees of the Group.

**Table 18 – Percentage change in remuneration**

	Salary	Benefits	Annual bonus
	% change	% change	% change
Chief Executive <sup>1</sup>	-3.6	-65.9	0.8
Average pay of all employees <sup>2</sup>	4.3	6.4	11.8

<sup>1</sup> David Thomas took over the role as Chief Executive on 1 July 2015.

<sup>2</sup> The basis of calculation has changed compared to the previous year to more accurately reflect the average pay of all employees.

### Relative importance of spend on pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends and profit from operations:

**Table 19 – Relative importance of spend on pay**

	2016	2015	% change
Staff costs (including Executive Directors) (£m)	<b>369.8</b>	353.0	4.8
Profit from operations (£m) <sup>1</sup>	<b>668.4</b>	576.8	15.9
Total capital return (£m) <sup>2</sup>	<b>308.0</b>	249.8	23.3

<sup>1</sup> Profit from operations has been chosen as a metric to compare against as it shows how spend on pay is linked to the Group's operating performance.

<sup>2</sup> Includes interim dividend of 6.0 pence per share paid on 20 May 2016 to those shareholders on the register as at the close of business on 29 April 2016 and a final dividend of 12.3 pence per share and a special dividend of 12.4 pence per share, value of which has been calculated on the number of shares in issue (excluding those held by the EBT) as at 30 June 2016. The final dividend and special dividend, if approved by shareholders at the 2016 AGM, will be paid on 21 November 2016 to those shareholders on the register at the close of business on 28 October 2016.

### Non-Executive directorships

Since joining the Board, Neil Cooper received a total fee of £39,016 in respect of his position as a Non-Executive Director of Pennon Group PLC. He has retained this fee in full. Neither David Thomas nor Steven Boyes held any Non-Executive directorships with other companies during the year.

### Advice/advisers

In carrying out its principal responsibilities, the Committee has the authority to obtain the advice of external independent remuneration consultants and is solely responsible for their appointment, retention and termination. During the year, the Committee has taken advice from independent advisers, New Bridge Street ('NBS'), a part of Aon plc. NBS was initially appointed by the Committee as its remuneration consultant in 2008 and is a founder signatory to the Remuneration Consultants Group's Code of Conduct. In addition to advising the Committee, NBS also provided the Company with advice on implementing decisions made by the Committee and remuneration benchmarking. NBS's fees for providing such advice amounted to £40,489 (2015: £54,344) for the year ended 30 June 2016. In line with best practice, the Committee assesses, from time to time, whether the appointment remains appropriate or if it should be put out to tender as part of its effectiveness review. NBS's appointment was reconfirmed by the Committee in June 2016 after an annual review of the quality of the advice received and fees charged. The Committee is comfortable that the NBS engagement partner and team, which provide remuneration advice to the Committee, do not have any connections with the Company that may impair their independence or objectivity. The Committee reviewed the potential for conflict of interests and judged that there were appropriate safeguards against such conflicts.

Aon plc also provided broking services to the Company in respect of private medical insurance, Death in Service benefits and Group Income Protection.

The Committee also receives input into its decision making from the Chief Executive, the Company Secretary and the Group Human Resources Director, none of whom were present at any time when their own remuneration was being considered.

### Membership and attendance at Committee meetings

The Committee operates within terms of reference (the 'Terms of Reference') and governance policies approved annually by the Board and in accordance with the Code.

Membership of the Committee and attendance at each of its scheduled meetings during the year is set out in **Table 20**.

**Table 20**

Member	Role	Number of meetings attended
Richard Akers	Chairman	5/5
John Allan <sup>1</sup>	Member	4/5
Tessa Bamford	Member	5/5
Nina Bibby	Member	5/5
Mark Rolfe	Member	5/5

<sup>1</sup> John Allan was unable to attend a meeting due to an unavoidable personal circumstance. John Allan reviewed the papers and provided his comments prior to the meeting.

Note:  
5/ Number of meetings attended whilst a Director.  
4/5 Number of meetings whilst a Director.

The Company Secretary acts as Secretary to the Committee.

### Statement of implementation of the Policy for FY17

Executive Directors' remuneration for FY17 will be based on the Group's remuneration strategy as summarised on pages 80 to 85 and will be implemented in accordance with the Policy as follows:

#### Base salary

The Committee reviewed the Executive Directors' salaries in June 2016. In reviewing these salaries the Committee had regard to: the performance of the Executive Directors during the year; the pay and employment conditions elsewhere in the business, the increases awarded to other members of staff and the multiplier effect of an increase in base salary on the package as a whole. The salaries of the Executive Directors at the beginning of the financial year were as follows:

**Table 21 – Executive Directors' salary increases**

Executive Director	Salary with effect from 1 July 2015 £000	Salary with effect from 1 July 2016 £000
David Thomas (3% increase)	676	696
Steven Boyes (3% increase)	535	551
Neil Cooper <sup>1</sup>	454	454

<sup>1</sup> Neil Cooper joined the Board on 23 November 2015.

Following these increases Executive Directors' salaries remain within the range for the housebuilding sector and the wider population of similar sized companies.

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Remuneration report – Annual report on remuneration *continued*

### Pension

Each of the Executive Directors has opted to receive a cash salary supplement in lieu of a pension of 25% annual salary.

### Annual bonus

Executive Directors and Senior Management will participate in the Group's annual bonus scheme in accordance with the Policy. The performance measures, the reasons for selecting these measures and the maximum bonus payment against each of them expressed as a percentage of salary for FY17 will be:

Performance measure	Reason for selecting	Weighting (% of salary maximum)
<b>Financial:</b>		
Profit before tax	Rewards outperformance against stretching targets and is a key measure of our performance	65
<b>Balance Sheet Items:</b>		
Land bank owned and controlled	Ensures sufficient land available for the future business plan.	22.5
Capital employed	Ensures efficient and effective management of our Balance Sheet.	22.5
<b>Non-financial:</b>		
Quality and service with a health and safety underpin	Ensures a focus on quality and service to our customers without compromising the safety of our people.	20
Personal objectives	Focus individuals on specific factors required to meet the long and short term strategy of the business whilst aligning their interests with those of shareholders.	20
<b>Total bonus achievable as a % salary</b>		<b>150*</b>

\* Any bonus earned in aggregate in excess of 100% will continue to be deferred into shares and held in the DBP. The Committee has agreed that no matching shares will be awarded against any deferred shares in respect of FY17.

The Group's profitability remains a key measure, however, in order to drive sustainable value this must be achieved through an appropriate capital structure and in line with the risk profile of the business. The annual bonus performance measures have been reviewed against last year's and the following changes have been made to align them with the Company's strategy:

- moved the health and safety measure to an underpin of the customer service metric to create a single quality service metric to encourage the maintenance of a high quality product whilst preserving the safety of all employees and individuals on site.
- personal objectives have been given an increased weighting to enhance focus on the achievement of outcomes that support the strategy of the Group. Consequently, the other metrics have been reweighted to maintain an appropriate balance between each of them.

The Committee will continue to have an overriding discretion in respect of any bonus payment in accordance with its Remuneration Policy. In addition, any bonus awarded for FY17 will be subject to Malus and Clawback (see page 85).

### LTPP

The level of the LTPP award to be granted to Executive Directors and Senior Management during FY17 will be in line with that set out in the Policy. The Committee is cognisant that such an award should be subject to performance targets which are stretching and challenging whilst aligned with the short and long term performance of the Group and total shareholder return. Accordingly, the Committee has agreed that the extent to which the LTPP award to be granted in FY17 (the '2016/17 LTPP') will vest, will be dependent on three independent performance conditions as follows:

Performance condition	Reason selected	Weighting (of total award)	Below Threshold (0% vesting)	Threshold (25% vesting)	Maximum (100% vesting)
TSR against a 50+/50-comparator group as at the beginning of the performance period.	To ensure that the comparator group remains current whilst factoring in the continued movement in the Company's market capitalisation.	One-third	Below median	Median	Upper quartile
Absolute EPS for the financial year ending 30 June 2019.	To ensure efficient and effective management of our business and align interests with those of shareholders.	One-third	See below		
ROCE for the financial year ending 30 June 2019.	To ensure efficient and effective management of our business and align interests with those of shareholders.	One-third	See below		

### Annual Bonus, EPS and ROCE performance targets

The Company is of the view that the individual annual bonus performance metrics together with the EPS and ROCE targets for the 2016/17 LTPP are commercially sensitive in terms of the Group's future strategy and therefore these targets will not be disclosed in this report. We will, as always disclose the annual bonus metrics and performance against them in next year's report. We will also provide an update on EPS and ROCE performance against targets on an annual basis in line with feedback that we receive from shareholders on the disclosure in respect of the 2014/15 LTPP and 2015/16 LTPP. The annual bonus metrics and the specific target range for the 2016/17 LTPP will remain designed to incentivise significant performance improvement across the business, deliver a strong return to shareholders and represent a stretching target for Executive Directors and Senior Management. When setting the annual bonus metrics and the target range for the 2016/17 LTPP, the Committee will take into account the Board's assessment of the optimal scale of business, the Group's ROCE target and current market consensus.

Both the annual bonus and 2016/17 LTPP performance conditions will remain subject to an overriding Committee discretion and to Clawback as set out in the Policy. A two-year continued holding period on any shares (net of any shares sold to satisfy tax and national insurance liabilities) vesting, will also apply to the 2016/17 LTPP.

#### Non-Executive Directors' fees

The Board reviewed the fees for the Non-Executive Directors (including the Chairman) and concluded that in order to ensure that the base fee level remains competitive in the market, they should be increased to £305,000 per annum for the Chairman and £58,000 per annum for Non-Executive Directors with effect from 1 July 2016. The additional fees for the Chairmen of the Committees and to the Senior Independent Director remain the same. Accordingly, the annual fees payable to the Non-Executive Chairman and Non-Executive Directors with effect from 1 July 2016 are as follows:

**Table 22 – Non-Executive Directors' fees**

Role	Fee as at 1 July 2015	Fee as at 1 July 2016
Chairman (1.7% increase)	£300,000	£305,000
Non-Executive Director base fee (3.6% increase)	£56,000	£58,000
Chairman of Audit Committee	£10,000	£10,000
Chairman of Remuneration Committee	£10,000	£10,000
Chairman of Safety, Health and Environmental Committee	£5,000	£5,000
Senior Independent Director	£5,000	£5,000


#### Statement of shareholding vote at AGM

At the 2015 AGM, a resolution was proposed to shareholders to approve the Annual Report on Remuneration (advisory vote) for the year ended 30 June 2015 for which the following votes were received:

**Table 23**

	Remuneration report	
	Number of votes	% votes cast
Votes cast in favour	620,551,709	94.94
Votes cast against	33,096,748	5.06
Total votes cast	653,648,457	100.00
Votes withheld	24,878,965	-

This Remuneration report was approved by the Board on 6 September 2016 and signed on its behalf by:

  
**Richard Akers**  
 Non-Executive Director  
 6 September 2016.

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## Other statutory disclosures

### Directors' Report

The Directors' Report for the financial year ended 30 June 2016 comprises pages 46 to 104 inclusive, together with the sections incorporated by reference. Any matters on which the Directors are required to report on annually, but which do not appear in any other section of this report are detailed below.

### Activities of the Group

The Company is the holding company of the Group. The Group's principal activities comprise acquiring and developing land, planning, designing and constructing residential property developments and selling the homes it builds throughout Britain. These core activities are supported by the Group's commercial development, urban regeneration, procurement, design and strategic land capabilities.

### Results and dividends

The profit from continuing activities for the year ended 30 June 2016 was £550.3m (2015: £449.4m).

An interim dividend of 6.0 pence per share was paid on 20 May 2016 to those shareholders on the register as at close of business on 29 April 2016 (2015: 4.8 pence per share). The Directors recommend the payment of a final dividend of 12.3 pence per share (2015: 10.3 pence per share) in respect of the financial year ended 30 June 2016.

The Directors also recommend the payment of a special dividend of 12.4 pence per share under the Company's Special Cash Payment Programme (see page 9 for further details).

Both the final dividend and the special dividend will, subject to shareholder approval at the 2016 AGM, be paid on 21 November 2016 to those shareholders on the register at the close of business on 28 October 2016. If approved, the total dividend (including the special dividend) for FY16 is 30.7 pence per share (2015: 25.1 pence per share).

### Strategic Report

The Group's Strategic Report is set out on pages 2 to 45 of this Annual Report and Accounts and contains certain disclosures required to be contained in the Directors' Report as follows: details of the Group's greenhouse gas emissions (page 39); our approach to diversity and details of diversity within the Group (page 35); our employee engagement programme (page 35); an indication of likely future developments in the Group including in the field of research and development (page 31) and the Group's principal risks (pages 42 to 45).

In addition, details of the Company's approach to dealing with environmental issues in its operations and the impact of and management of risks associated with environmental, social and governance matters are contained in the Strategic Report on pages 42 to 45 and in the Sustainability Report available at [www.barrattddevelopments.co.uk](http://www.barrattddevelopments.co.uk). They can also be found in the sustainability section of the Company's website at [www.barrattddevelopments.co.uk](http://www.barrattddevelopments.co.uk).

The Group's financial assets, financial liabilities and derivative financial instruments are detailed in sections 3 and 5 within the notes to the Financial Statements. Details of the Group's liquidity, market price, credit and cash flow risks are set out in note 5.5 to the Financial Statements.

### Annual General Meeting

The 2016 AGM will be held at The Royal College of Physicians, 11 St Andrews Place, Regent's Park, London NW1 4LE on Wednesday, 16 November 2016 at 2.30 p.m. The notice convening the 2016 AGM is set out in a separate letter to shareholders.

### Directors and their interests

Details of the Directors who held office during the financial year ending 30 June 2016 and as at the date of this report can be found on pages 46 and 47.

The beneficial interests of the Directors and connected persons in the ordinary share capital of the Company together with the interests of the Executive Directors in share options and awards of shares as at 30 June 2016 and as at the date of this report are disclosed in the Remuneration report on pages 89 to 92.

At no time during or at the end of the year did any Director have a material interest in a contract of significance in relation to the business of the Group.

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### Appointment and replacement of Directors

In accordance with the Articles there shall be no less than two and no more than 15 Directors appointed to the Board at any one time. Directors may be appointed by the Company by ordinary resolution or by the Board. The Board may from time to time appoint one or more Directors to hold employment or executive office for such period (subject to the Act) and on such terms as they may determine and may revoke or terminate any such appointment. Directors are not subject to a maximum age limit.

In addition to the power under the Act for shareholders to remove any Director by ordinary resolution upon the giving of special notice, under the Articles the Company may, by special resolution, remove any Director before the expiration of their term of office. The office of Director shall be vacated if: (i) they resign or offer to resign and the Board resolves to accept such offer; (ii) their resignation is requested by all of the other Directors and all of the other Directors are not less than three in number; (iii) they are or have been suffering from mental or physical ill health; (iv) they are absent without permission of the Board from meetings of the Board for six consecutive months and the Board resolves that their office is vacated; (v) they become bankrupt or compound with their creditors generally; (vi) they are prohibited by law from being a Director; (vii) they cease to be a Director by virtue of the Act; or (viii) they are removed from office pursuant to the Articles.

Details relating to the retirement, election and re-election of Directors at each AGM can be found in the Nomination Committee report on pages 64 and 65.

### Powers of the Directors

Subject to the Articles, the Act and any directions given by special resolution, the business of the Company is ultimately managed by the Board who may exercise all the powers of the Company, whether relating to the management of the business of the Company or otherwise. In particular, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge any of its undertakings, property, assets and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the Company to any third party.

### Qualifying third party indemnity provisions

At the date of this Annual Report and Accounts, there are qualifying third party indemnity provisions governed by the Act in place under which the Company has agreed to indemnify the Directors, former Directors and the Company Secretary, together with those who have held or hold these positions as officers of other Group companies or of associate or affiliated companies and members of the Executive Committee, to the extent permitted by law and the Articles, against all liability arising in respect of any act or omission in the course of performing their duties. In addition, the Company maintains directors' and officers' liability insurance for each Director of the Group and its associated companies.

No Director of the Company or of any associated company shall be accountable to the Company or the members for any benefit provided pursuant to the Articles and receipt of any such benefit shall not disqualify any person from being or becoming a Director of the Company.

### Related party transactions

The Board and certain members of Senior Management are related parties within the definition of IAS 24 (Revised) 'Related Party Disclosures' (IAS 24) and the Board are related parties within the definition of Chapter 11 of the UK Listing Rules (Chapter 11). There is no difference between transactions with key personnel of the Company and transactions with key personnel of the Group.

During the year, the Company entered into the following transaction(s) which, for the purposes of IAS 24, is considered to be a 'related party transaction':

#### Transaction 1

As outlined in the Annual Report and Accounts for FY15, in August 2014, Mark Clare (at the time, Group Chief Executive) reserved a flat (including a car parking space) from Fulham Wharf LLP, a joint venture partnership between BDW Trading Limited (the Company's main trading subsidiary) and London and Quadrant Housing Trust (L&Q), at a purchase price of £1,692,350. This purchase was conducted at a fair and reasonable market price based on four independent market valuations and similar comparable transactions at that time. An amount of £2,500 was paid on reservation and a deposit of £166,735 was paid on 13 October 2014. The remaining balance was paid on completion on 17 June 2016 in accordance with the Group's normal terms of trading. Fulham Wharf LLP is not controlled by and is not a 'subsidiary undertaking' of the Company.

#### Transaction 2

In June 2016, David Thomas notified the Board that he and one of his connected persons intended to buy one property each at the BDW Trading Limited site at Cane Hill, Coulsdon, Surrey (the 'Transactions').

##### Property 1

David Thomas intends to purchase a Barratt showhome on a sale and licence back basis. Sale and licence back transactions are carried out on showhomes in the ordinary course of business and are normally for a period of two years. The purchase price of the property is £579,995 (which includes an upgraded kitchen, flooring, lighting, built-in wardrobe and soft furnishings). The sale and licence back is for a minimum of two years with an annual rental of 6%. David Thomas will also be purchasing all of the furniture and fittings displayed in the showhome for an agreed price of £4,000. The anticipated completion date is end of November 2016.

##### Property 2

David Thomas' connected person is proposing to purchase, in the ordinary course of business, a David Wilson home from BDW Trading Limited at a purchase price of £545,000 together with a number of customer extras with a value not exceeding £18,000. The anticipated completion date is the end of January 2017.

Both of the Transactions are being conducted at a fair and reasonable market price based on an independent market valuation and similar comparable transactions at the time. Neither of the properties have been exchanged. A 10% deposit will be payable on exchange, with the remaining balance being payable on legal completion in November 2016 and January 2017 respectively, in accordance with the Group's normal terms of trading.

Strategic Report	<b>Governance</b>	Financial Statements	Other Information
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Other statutory disclosures *continued*

On notification by David Thomas of the Transactions, the Board sought advice from its legal advisers and Corporate brokers/sponsors in respect of the application of Chapter 11 and section 190 of the Act (Substantial Property Transaction) [Section 190] to the Transactions. The advice received concluded that the Transactions, both individually and combined, were exempt from the provisions of Chapter 11, due to being classified as a 'Small Transaction'. However, the Transactions are above the threshold prescribed by Section 190. As David Thomas is a Director of the Company, which is not a wholly owned subsidiary, shareholder approval is required before the Transactions can be completed. Accordingly, in June 2016, the Board approved the Transactions subject to shareholder approval being obtained. The relevant resolution will be included in the Notice of AGM for consideration and, if deemed fit, approval by shareholders in November 2016. David Thomas will enter into the contracts subject to such approval being obtained.

No other related party transactions that require disclosure, have been entered into during the year under review.

#### Disclosure of information to auditor

So far as each of the Directors is aware, there is no relevant audit information (that is, information needed by the Company's auditor in connection with preparing its report) of which the Company's auditor is not aware.

Each Director has taken all reasonable steps that they ought to have taken in accordance with their duty as a Director to make themselves aware of any relevant audit information and to ensure that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Act.

#### Political donations and expenditure

No political donations or expenditure were made or incurred during the year (2015: Enil).

#### Offices

The Group had 29 offices (excluding those offices undertaking an administrative function only) located throughout Britain at the end of the financial year. The Group also has a representative office in Beijing and Shanghai, China. A full list of the Group's offices and their locations can be obtained from the Company Secretary at the Company's registered office or from its website [www.barrattddevelopments.co.uk](http://www.barrattddevelopments.co.uk).

#### Capital structure

The Company has a single class of share capital which is divided into ordinary shares of 10 pence each. All issued shares are in registered form and are fully paid. Details of the Company's issued share capital and of the movements in the share capital during the year can be found in note 5.6 to the Financial Statements on page 145. Subject to the Articles, the Act and other shareholders' rights, shares are at the disposal of the Board. At each AGM the Board seeks authorisation from its shareholders to allot shares. At the AGM held on 11 November 2015, the Directors were given authority to allot shares up to a nominal value of £33,199,348 (representing one-third of the nominal value of the Company's issued share capital as at 30 September 2015), such authority to remain valid until the end of the 2016 AGM or, if earlier, until the close of business on 10 February 2017. A resolution to renew this authority will be proposed at the 2016 AGM.

#### Rights and obligations attaching to shares

Subject to any rights attached to existing shares, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide.

Subject to the Act, the Articles specify that rights attached to any existing class of shares may be varied either with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

#### Voting

Subject to any special terms as to voting upon any shares which may be issued or may at the relevant time be held, every member present in person or by proxy at a general meeting or class meeting has one vote upon a show of hands or, upon a poll vote, one vote for every share of which such member is a holder. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of votes of the other joint holders and seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

In accordance with the Act, each member is entitled to appoint one or more proxies, and in the case of corporations, more than one corporate representative to exercise all or any of their rights to attend, speak and vote on their behalf at a general meeting or class meeting. The timescales for appointing proxies are set out in the Notice of the 2016 AGM.

No member shall be entitled to vote at any general meeting or class meeting in respect of any shares held by them if any call or other sum then payable by them in respect of that share remains unpaid or if they have been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Act.

#### Transfer of shares

Shares in the Company may be in uncertificated or certificated form. Title to uncertificated shares may be transferred by means of a relevant system and certificated shares may be transferred by an instrument of transfer as approved by the Board. The transferor of a share is deemed to remain the holder until the transferee's name is entered into the Company's register of members.

There are no restrictions on the transfer of shares except as follows. The Board may, in its absolute discretion and without giving any reason, decline to register any transfer of any share which is not a fully paid share. Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules (as defined in the Articles) and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

The Board may decline to register a transfer of a certificated share unless the instrument of transfer: (i) is duly stamped or certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty and is accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require; (ii) is in respect of only one class of share; (iii) if joint transferees, is in favour of not more than four such transferees; or (iv) where the transfer is requested by a person with a 0.25% interest (as defined in the Articles) if such a person has been served with a restriction notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Act, unless the transfer is shown to the Board to be pursuant to an arm's length sale (as defined in the Articles).

There are no special control rights in relation to the Company's shares and the Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities.

#### Shareholder authority for purchase of own shares

At the Company's AGM held on 11 November 2015, shareholders gave authority to the Company to buy back up to an aggregate of 99,598,040 ordinary shares (representing 10% of the Company's issued share capital). This authority is valid until the end of the 2016 AGM or, if earlier, until the close of business on 10 February 2017. Under the authority there is a minimum and maximum price to be paid for such shares. Any shares which are bought back may be held as treasury shares or, if not so held, will be cancelled immediately upon completion of the purchase, thereby reducing the Company's issued share capital.

No purchases had been made under this authority as at the date of this Annual Report and Accounts. A resolution renewing the authority will be proposed at the 2016 AGM.

#### Dividends and distributions

Subject to the provisions of the Act, the Company may by ordinary resolution from time to time declare dividends for payment to the holders of the ordinary shares of 10 pence each, of an amount which does not exceed the amount recommended by the Board. The Board may pay interim dividends, and also any fixed rate dividends, whenever the financial position of the Company justifies their payment in the opinion of the Board. If the Board acts in good faith, it is not liable to holders of shares with preferred or pari passu rights for losses arising from the payment of interim or fixed dividends on other shares. The Board may withhold payment of all or any part of any dividends or other monies payable in respect of the Company's shares from a person with a 0.25% interest if such person has been served with a restriction notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Act.

#### Shareholder arrangements to waive dividends

The Barratt Developments Employee Benefit Trust (the 'EBT') holds ordinary shares in the Company for the purpose of satisfying options and awards that have been granted under the various employee share schemes operated by the Company. Details of the shares so held are set out in note 5.6 to the Financial Statements.

The EBT has agreed to waive all or any future right to dividend payments on shares held within the EBT and these shares do not count in the calculation of the weighted average number of shares used to calculate EPS until such time as they are vested to the relevant employee.

The Trustees of the EBT may vote or abstain from voting on shares held in the EBT in any way they think fit and in doing so may take into account both financial and non-financial interests of the beneficiaries of the EBT or their dependants.

#### Employee share schemes

Details of employee share schemes are set out in note 6.3 to the Financial Statements. Details of long term incentive schemes for the Directors are shown in the Remuneration report on pages 76 to 97.

#### Employment policy and involvement

##### (i) Employment and diversity

The Group is committed to seeking to develop the talents of its employees so that they can maximise their career potential and providing rewarding careers in an atmosphere that engenders equal opportunities for all. Selection for employment and promotion is based on merit, following an objective assessment of ability and experience of candidates, after giving full and fair consideration to all applications (including individuals with disabilities). The Group is also committed to ensuring that its workplaces are free from discrimination. The Group strives to ensure that its policies and practices provide equal opportunities in respect of issues such as training, career development and promotion for all existing or potential staff irrespective of gender, race, ethnic origin, colour, religion, physical disability, marital status, sexual orientation or age. Every effort is made to retain and support employees who become disabled whilst working within the Group. Further details on Group's diversity initiatives are available in the Sustainability Report which is available from [www.barrattddevelopments.co.uk/sustainability/our-reports](http://www.barrattddevelopments.co.uk/sustainability/our-reports).

##### (ii) Employee engagement

The Board recognises that appropriate employee engagement is a key factor in the long term success of the Group. It utilises a comprehensive employee engagement programme with the aim of creating a strong, shared culture. All employees are invited to take part in an online engagement survey each year. The results of this survey are fed back to each operating division who use the results to formulate plans for maintaining or improving engagement in the following year. We continue to report high levels of engagement, with scores remaining within the top quartile of IBM's database this year at 77%.

Strategic Report	<b>Governance</b>	Financial Statements	Other Information
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Other statutory disclosures *continued*

#### (iii) Employee communications

A key part of effective employee engagement is communication. The Company seeks to ensure that all significant events, economic factors and financial updates and the impact of these on the performance of the Group are communicated to employees. This is mainly channelled through the Group's intranet and the use of email alerts, core briefings and regular newsletters. Additionally, the Chief Executive regularly briefs senior and middle management via conference calls and bulletins which gives them the opportunity to ask questions and enter into dialogue. Individually and collectively, the Board and the Executive Committee members visit operating divisions and sites frequently in order to assess operational performance, engage with employees on a one-to-one basis and gain first-hand experience of employees' aspirations and concerns.

#### (iv) Future talent

The Group runs a number of programmes for new entrants through our 'Future Talent strategy'. The Group currently has 73 graduates across our two-year and one-year schemes, 46 of which commenced their training in September 2015. In addition, 74 delegates are currently on our bespoke Foundation Degree in Residential Development and Construction in partnership with Sheffield Hallam University. We are currently training 451 Trade, Technical, Commercial and other apprentices/trainees and 13 undergraduate students on a paid 12-month industrial placement programme.

#### (v) Employee training and development

The Group has a suite of leadership and management development programmes aimed at all levels within the organisation. The programmes are designed and delivered internally and are tailored to the needs of the business.

The Group also offers the Barratt Academy, a staged programme to enable employee development from apprentice to site manager as well as within the areas of customer service (new in FY16), our technical and commercial academies have been enhanced and we are making a significant investment into our IT training provision. Succession planning is in place across the Group and the leadership programmes assist with the development of individuals as part of this process. In addition, we have continued to provide development centres for those employees with high potential.

#### (vi) Employee Sharesave Scheme

In April 2016, the Company invited all eligible employees of the Group to participate in the seventh grant under the Savings Related Share Option Scheme (the '2016 Sharesave') which was approved by shareholders at the Company's Annual General Meeting held in November 2008. The invitations for the 2016 Sharesave allowed eligible employees to contribute a maximum of £500 per month in one or a combination of Sharesave schemes. This enabled those individuals who had participated in previous grants under the Sharesave the opportunity to increase their savings and gave other employees (new and existing) the chance to participate and further align their interests with the performance of the Group. At 30 June 2016, approximately 60% of employees participate in one or more of the active Sharesave schemes.

#### Articles of Association

The Company's Articles of Association (the 'Articles') contain regulations which deal with matters such as the appointment and removal of Directors, Directors' interests and proceedings at general and Board meetings. Any amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of a special resolution at a general meeting.

#### Approach to tax and tax governance

For all taxes, it is the Group's aim to ensure it accurately calculates and pays the tax that is due at the correct time. Whilst the Group does seek to minimise its tax liabilities through the use of legitimate routine tax planning, it does not participate in aggressive tax planning schemes. The Group also seeks to be transparent in its dealings with HM Revenue & Customs and has regular dialogue with its representatives to discuss both developments in the business and the ongoing tax position.

The Chief Financial Officer retains overall responsibility for oversight of the tax affairs of the Group. David Thomas, in his capacity of Chief Executive and Interim Finance Director, was the named Senior Accounting Officer until 31 December 2015 at which time, Neil Cooper assumed the responsibility. The Senior Accounting Officer receives regular updates on the tax position. In addition, taxation is discussed by the Audit Committee at least annually.

#### Significant agreements

The following significant agreements contain provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company:

- The revolving credit facility agreement dated 14 May 2013 (as amended on 17 December 2014 and 30 June 2016) made between, amongst others, the Company, Lloyds Bank Plc (as the facility agent) and the banks and financial institutions named therein as lenders (the 'Revolving Credit Facility Agreement') contains a prepayment provision at the election of each lender on change of control. The Company must notify the facility agent promptly upon becoming aware of the change of control. After the occurrence of a change of control, the facility agent shall (if a lender so requests within 20 days of being notified of the change of control) by notice to the Company, on the date falling 30 days after the change of control, cancel the commitment of such lender under the Revolving Credit Facility Agreement and declare all amounts outstanding in respect of such lender under the Revolving Credit Facility Agreement immediately due and payable. The Revolving Credit Facility Agreement also contains a provision such that, following a change of control, a lender is not obliged to fund any further drawdown of the facility (other than rollover loans). For these purposes, a 'change of control' occurs if any person or group of persons 'acting in concert' (as defined in the City Code on Takeovers and Mergers) gains control (as defined in the Corporation Tax Act 2010) of the Company.

Strategic Report	Governance	Financial Statements	Other Information
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- Each of the note purchase agreements entered into in respect of the Group's privately placed notes (being the US\$80m of notes issued pursuant to the following note purchase agreements: (i) a note purchase agreement in respect of the issue of US\$15m notes dated 10 May 2011 (as amended and restated on 14 May 2013 and as amended on 17 December 2014); and (ii) a note purchase agreement in respect of the issue of US\$65m notes also dated 10 May 2011 (as amended and restated on 14 May 2013 and as amended on 17 December 2014)) contains a change of control prepayment provision. Each such control provision provides that promptly after the Company becomes aware that a change of control has occurred, the Company shall notify all the holders of the notes of the same and give the noteholders the option to require the Company to prepay at par all outstanding amounts (principal and interest) under the notes. If a noteholder accepts such offer of prepayment, such prepayment shall take place on a business day that is not more than 90 days after the Company notified the noteholders of the change of control. For these purposes a 'change of control' means the acquisition by a person or a group of persons acting in concert (as defined in the City Code on Takeovers and Mergers) such that they gain beneficial ownership of more than 50% of the issued share capital of the Company carrying voting rights.
- The £100m term facility agreement between, amongst others, the Company and Prudential/M&G UK Companies Financing Fund LP dated 10 May 2011 (as amended and restated on 14 May 2013 and as amended on 17 December 2014) also contains a prepayment provision on a change of control at the election of each lender; such prepayment provision is the same as that described for the Revolving Credit Facility Agreement (save for the fact that the term loan is fully drawn and so the restrictions on drawing described for the Revolving Credit Facility Agreement do not apply).
- Each of the debt facility agreements (based on a proforma agreement agreed in October 2012) between the Company (as guarantor), BDW (as borrower and developer) and the Homes and Communities Agency ('HCA') (as lender), whereby the HCA has made up to £33m (in aggregate) of project financing available to fund up to 20 development sites, contains a provision requiring BDW to obtain the consent of the HCA on a change in control of the Company, BDW or any of their holding companies (if relevant). The HCA is entitled to withhold its consent to such a change in control if the new controller does not have sufficient reputation, financial standing or organisational standing and capacity. A failure to: (i) obtain the HCA's consent to a change in control; and (ii) provide the HCA with notice of the change in control within a specified time period, is an event of default under each of these agreements. On such an event of default the HCA may, by notice in writing to BDW, terminate each debt facility agreement and require BDW to prepay the project financing. For these purposes a 'change in control' means the acquisition by a person or a group of persons acting together such that they gain beneficial ownership of more than 50% of the issued share capital or voting rights of the relevant company, have the right to appoint the majority of the Directors of the relevant company or otherwise control the votes at Board meetings of the relevant company.

The note purchase agreements also impose upon the holders customary restrictions on resale or transfer of the notes, such as the transfer being subject to a de minimis amount.

### Going concern

In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. Accordingly, after making enquiries and having considered forecasts and appropriate sensitivities, the Directors have formed a judgement, at the time of approving the Financial Statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of these Financial Statements (more information on the Going Concern judgement can be found on page 115). For this reason, they continue to adopt the going concern basis in the preparation of these Financial Statements.

On behalf of the Board



**Tina Bains**  
Company Secretary  
6 September 2016

## Statement of Directors' Responsibilities

### Financial Statements and accounting records

The Directors are responsible for preparing the Annual Report and Accounts including the Directors' remuneration report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the International Accounting Standards Regulation (the 'IAS Regulation') to prepare the Group Financial Statements under International Financial Reporting Standards as adopted by the European Union ('IFRS') and have also elected to prepare the Parent Company Financial Statements in accordance with IFRS. The Financial Statements are also required by law to be properly prepared in accordance with the Companies Act 2006 and Article 4 of the IAS Regulation. Under the Disclosure and Transparency Rules, the Directors must not approve the Accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

International Accounting Standard 1 requires that Financial Statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Fair, balanced and understandable

The Board considers, on the advice of the Audit Committee, that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

### Directors' responsibility statement

The Directors confirm that, to the best of each person's knowledge:

- a) the Group and Parent Company Financial Statements in this Annual Report and Accounts, which have been prepared in accordance with IFRS, Standing Interpretation Committee interpretations as adopted and endorsed by the European Union, International Financial Reporting Interpretations Committee interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the Group taken as a whole; and
- b) the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties they face.

The Directors of the Company and their functions are listed on pages 46 and 47.

By order of the Board

**David Thomas**  
Chief Executive

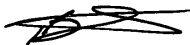
**Neil Cooper**  
Chief Financial Officer



6 September 2016

6 September 2016

The Directors' Report from pages 46 to 104 inclusive was approved by the Board on 6 September 2016 and is signed on its behalf by:



**Tina Bains**  
Company Secretary

## Financial Statements

### Independent Auditors Report

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#### Key to financial icons

Throughout the Financial Statements you will see these icons used, they represent the following:

Graphic removed

#### Group accounting policies

Graphic removed

#### Critical accounting judgements and key sources of estimation uncertainty

## Independent Auditors Report

### Opinion on financial statements of Barratt Developments PLC

#### In our opinion:

- > the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2016 and of the Group's profit for the year then ended;
- > the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- > the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- > the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Group and Parent Company Statements of Comprehensive Income, the Group and Parent Company Statements of Changes in Shareholders' Equity, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Accounting Policies, the Impact of Standards and Interpretations in issue but not yet Effective, the Critical Accounting Judgements and Key Sources of Estimation Uncertainty and the related notes 1 to 7.4. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

#### Going concern

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis contained within note 1.3 on page 115 and the directors' statement on the longer-term viability of the Group contained on page 43. We have nothing material to add or draw attention to in relation to:

- > the directors' confirmation on page 43 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- > the disclosures on pages 42-45 that describe those risks and explain how they are being managed or mitigated;

- > the directors' statement on page 103 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- > the directors' explanation on page 43 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

#### Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

#### Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

At 30 June 2016, the balance of directly held available for sale financial assets is no longer material to the Group. We have therefore removed this as a focus area of our audit.

Strategic Report	Governance	Financial Statements	Other Information
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Risk	How the scope of our audit responded to the risk
<b>Carrying value of land and work in progress – land £2,880.2m (2015: £2,826.1m), work in progress £1,386.3m (2015: £1,287.4m)</b>	
Refer to page 69 (Audit Committee Statement), page 123 (Critical accounting judgements and key sources of estimation uncertainty) and note 3.1 (financial statement disclosures)	
<p>The Group's assessment of the carrying value of land and work in progress, being the lower of cost and net realisable value, is a judgemental process. This requires the estimation of selling prices, sales rates and costs to complete, determined on a site by site basis. These factors drive the gross margin for each site and hence the profit recognised at the point of sale.</p> <p>The outcome of the EU referendum has resulted in greater political and economic uncertainty which may impact selling prices, sales rates and build costs, especially in the longer term. Such assumptions impact the Group's assessments on the carrying value of land and work in progress.</p> <p>The net impairment charge for the year was £8.6m (2015: £11.7m).</p> <p>In addition, revenue recognition on social housing developments accounted for under IAS 11 'Construction Contracts' requires additional judgement in calculating the revenue and profit to be recognised, estimating the total expected costs to complete each site and the percentage of completion at the balance sheet date.</p>	<p>Our work involved the following:</p> <ul style="list-style-type: none"> <li>&gt; We have tested the design, implementation and operating effectiveness of the Group's controls relating to the determination of costs to complete as this is the most significant judgement applied to each site valuation. We attended a number of valuation meetings across all regions that review the carrying value of land and work in progress of individual sites. A sample of sites were also visited to enable us to verify how surveyors measure the degree of build completion of the developments against the costs incurred to date and to measure the subcontractor accruals at the year end.</li> <li>&gt; For multi-phased sites we have performed procedures to validate the appropriateness of actual and forecast margin maintained across the individual phases of the entire site.</li> <li>&gt; We have reviewed the land acquisition appraisal process and viability assessment at acquisition and tested the design, implementation and operating effectiveness of the key controls.</li> <li>&gt; We have sample tested and agreed certain costs incurred to date included within land and work in progress as well as reviewing the proportion of that expenditure recognised as a cost of sale in the year in respect of units sold.</li> <li>&gt; We have used IT interrogation tools to test the model prepared by Management to calculate the net realisable value of sites to ascertain the mechanical accuracy of the formulae being applied to the inputs to specific sites.</li> <li>&gt; We have tested each of the key assumptions within Management's model on forecast sales values, sales rates and costs to complete which support the basis of the carrying value of land and work in progress. We have compared the Group's assumptions to external market forecasts for sales price inflation and build cost inflation and have tested a sample of sites to current market data on sales rates, sales prices and cost assumptions. We have also tested the accuracy of costs to complete assumptions on a sample basis.</li> <li>&gt; We have performed independent sensitivity analysis, informed by external forecasts, to measure the impact on the carrying value of land and work in progress through possible deviations around the assumptions applied by management. This included consideration of the outcome of the EU referendum.</li> <li>&gt; A sample of construction contracts for social housing developments have been tested by verifying the costs incurred to date and recalculating the percentage of completion at the balance sheet date. A selection of these schemes have been reviewed with a sample of costs agreed to third party surveyors' certificates, total sales values agreed to contracts, and the recognition formula verified to support revenue recognised.</li> <li>&gt; We have reviewed the appropriateness of the Group's disclosures within the Annual Report and Financial Statements relating to the estimation uncertainty.</li> </ul>
<b>Impairment of goodwill and intangible assets – goodwill £792.2m (2015: £792.2m), intangible assets £100m (2015: £100m)</b>	
Refer to page 69 (Audit Committee Statement), page 129 (Critical accounting judgements and key sources of estimation uncertainty) and note 4.2 (financial statement disclosures)	
<p>The goodwill and David Wilson Homes brand intangible asset arose upon the acquisition of Wilson Bowden (see note 4.2).</p> <p>The Group's assessment of impairment of goodwill and intangible assets is a judgemental process which requires estimates concerning the forecast future cash flows associated with the goodwill and brand assets held, the discount rates and the growth rate of revenue and costs to be applied in determining the value in use.</p> <p>As described in the previous significant risk, the outcome of the EU referendum has resulted in greater political and economic uncertainty which may impact selling prices, sales rates and build costs, especially in the longer term.</p> <p>There were no impairments in the current year (2015: £nil).</p>	<p>Our work involved the following:</p> <ul style="list-style-type: none"> <li>&gt; We have assessed the design and implementation of the Group's controls relating to Management's impairment review of goodwill and intangible assets.</li> <li>&gt; We have tested the accuracy of the underlying model to assess whether the processes are applied to the correct input data and the outputs are mapped accurately.</li> <li>&gt; We challenged each of the key assumptions employed in the annual goodwill impairment test. This included reference to our internal valuation specialists' benchmarking of the weighted average cost of capital rate ('WACC') employed as the discount rate employed, including its methodology and constituent inputs, comparison to independent market forecasts of revenue and cost growth in the housebuilding sector and an assessment of the Group's historic forecasting accuracy.</li> <li>&gt; We have tested Management's sensitivity analysis in relation to the key inputs to the goodwill impairment test model, as well as performing our own sensitivity analysis which included changes to volume, margin, incentives and the discount rate applied. This included consideration of the outcome of the EU referendum.</li> <li>&gt; We have reviewed the appropriateness of the disclosures provided in accordance with IAS 36 'Impairment of Assets'.</li> </ul>

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Strategic Report	Governance	Financial Statements	Other Information
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## Independent Auditors Report *continued*

### Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £33.5 million (2015: £27.6 million), which is determined based on 5.0% (2015: 5.0%) of statutory pre-tax profit. Profit before tax was used as the benchmark because this is a key performance indicator for the group's stakeholders and is consistent with the benchmark used for comparable companies.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.7 million (2015: £0.55 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

### An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. The entire Group is audited by one audit team, led by the Senior Statutory Auditor. The audit is performed centrally and comprises all of the divisions which comprise the Group's housebuilding segment, the Group's commercial developments segment and the head office consolidation. Consistent with prior years, we choose to visit the Group's three London housebuilding divisions each year, as well as five further non-London housebuilding divisions across each of the Group's regions, selected on a rotational basis and with reference to size and complexity among other factors. We also visit Wilson Bowden Developments Limited on an annual basis, which constitutes the Group's commercial developments segment.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- > the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- > the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

#### Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- > we have not received all the information and explanations we require for our audit; or
- > adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- > the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

#### Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

#### Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

#### Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- > materially inconsistent with the information in the audited financial statements; or
- > apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- > otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

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Strategic Report	Governance	Financial Statements	Other Information
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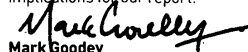
### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



**Mark Goodey**  
(Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor

London, United Kingdom  
6 September 2016

**Consolidated Income Statement** Year ended 30 June 2016**Statement of Comprehensive Income** Year ended 30 June 2016

	Notes	2016 £m	2015 £m
<b>Continuing operations</b>			
Revenue	2.1, 2.2	4,235.2	3,759.5
Cost of sales		(3,434.8)	(3,045.2)
<b>Gross profit</b>		<b>800.4</b>	<b>714.3</b>
Administrative expenses		(132.0)	(137.5)
<b>Profit from operations</b>	2.3	<b>668.4</b>	<b>576.8</b>
Finance income	5.2	5.9	7.6
Finance costs	5.2	(64.1)	(64.6)
Net finance costs	5.2	(58.2)	(57.0)
Share of post-tax profit from joint ventures	4.3	71.9	45.4
Share of post-tax profit from associates	4.3	0.2	0.3
<b>Profit before tax</b>		<b>682.3</b>	<b>565.5</b>
Tax	2.6.1	(132.0)	(115.2)
<b>Profit for the year</b>		<b>550.3</b>	<b>450.3</b>
<b>Profit for the year attributable to the owners of the Company</b>		<b>550.3</b>	<b>449.4</b>
<b>Profit for the year attributable to non-controlling interests</b>	4.1.2	<b>-</b>	<b>0.9</b>
<b>Earnings per share from continuing operations</b>			
Basic	2.4	55.1p	45.5p
Diluted	2.4	54.3p	44.6p

**Parent Company Income Statement**

In accordance with the provisions of section 408 of the Companies Act 2006, a separate Income Statement for the Company has not been presented. The Company's profit for the year was £1.4m (2015: £16.7m).

	Notes	Group		Company	
		2016 £m	2015 £m	2016 £m	2015 £m
<b>Profit for the year</b>		<b>550.3</b>	450.3	<b>1.4</b>	16.7
<b>Other comprehensive income/(expense):</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Actuarial loss on defined benefit pension scheme	6.2.2	(9.0)	(11.5)	(9.0)	(11.5)
Fair value adjustment on available for sale financial assets	3.5	0.5	5.1	-	-
Tax credit relating to items not reclassified		1.7	1.3	1.8	2.4
<b>Total items that will not be reclassified to profit or loss</b>		<b>(6.8)</b>	(5.1)	<b>(7.2)</b>	(9.1)
<b>Items that may be reclassified subsequently to profit or loss</b>					
Amounts deferred in respect of effective cash flow hedges	5.2 5.4.3	6.3	(0.5)	6.3	(0.5)
Amounts reclassified to the Income Statement in respect of hedged cash flows	5.2 5.4.3	(1.1)	2.9	(1.1)	2.9
Tax charge relating to items that may be reclassified		(1.2)	(0.5)	(1.2)	(0.5)
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>4.0</b>	1.9	<b>4.0</b>	1.9
<b>Total comprehensive income recognised for the year</b>		<b>547.5</b>	447.1	<b>(1.8)</b>	9.5
<b>Total comprehensive income recognised for the year attributable to the owners of the Company</b>		<b>547.5</b>	446.2	<b>(1.8)</b>	9.5
<b>Total comprehensive income recognised for the year attributable to non-controlling interests</b>	4.1.2	<b>-</b>	0.9	<b>-</b>	-

The notes on pages 115 to 164 form an integral part of these Financial Statements.

### Statement of Changes in Shareholders' Equity – Group

	Share capital (note 5.6) £m	Share premium £m	Merger reserve (note 4.1.1) £m	Hedging reserve (note 5.4.3) £m	Own shares (note 5.6) £m	Share-based payments (note 6.3.1) £m	Retained earnings due to shareholders of the Group £m	Total retained earnings due to shareholders of the Group £m	Non-controlling interests (note 4.1.2) £m	Total equity £m
<b>At 1 July 2014</b>	98.5	214.8	1,109.0	(15.6)	(3.2)	24.6	1,917.9	1,939.3	8.0	3,354.0
Profit for the year	-	-	-	-	-	-	449.4	449.4	0.9	450.3
Amounts deferred in respect of effective cash flow hedges	-	-	-	(0.5)	-	-	-	-	-	(0.5)
Amounts reclassified to the Income Statement in respect of hedged cash flows	-	-	-	2.9	-	-	-	-	-	2.9
Fair value adjustments on available for sale financial assets	-	-	-	-	-	-	5.1	5.1	-	5.1
Actuarial losses on pension scheme	-	-	-	-	-	-	(11.5)	(11.5)	-	(11.5)
Tax on items above taken directly to equity	-	-	-	(0.5)	-	-	1.3	1.3	-	0.8
<b>Total comprehensive income recognised for the year ended 30 June 2015</b>	-	-	-	1.9	-	-	444.3	444.3	0.9	447.1
Dividend payments	-	-	-	-	-	-	(117.7)	(117.7)	-	(117.7)
Issue of shares	1.0	4.3	-	-	-	-	(0.7)	(0.7)	-	4.6
Share-based payments	-	-	-	-	-	11.6	-	11.6	-	11.6
Disposal of own shares	-	-	-	-	0.5	-	-	-	0.5	0.5
Transfer of share-based payments charge for exercised/lapsed options	-	-	-	-	-	(3.6)	3.6	-	-	-
Tax on share-based payments	-	-	-	-	-	1.4	9.8	11.2	-	11.2
<b>At 30 June 2015</b>	99.5	219.1	1,109.0	(13.7)	(2.7)	34.0	2,257.2	2,288.5	8.9	3,711.3
Profit for the year	-	-	-	-	-	-	550.3	550.3	-	550.3
Amounts deferred in respect of effective cash flow hedges	-	-	-	6.3	-	-	-	-	-	6.3
Amounts reclassified to the Income Statement in respect of hedged cash flows	-	-	-	(1.1)	-	-	-	-	-	(1.1)
Fair value adjustments on available for sale financial assets	-	-	-	-	-	-	0.5	0.5	-	0.5
Actuarial losses on pension scheme	-	-	-	-	-	-	(9.0)	(9.0)	-	(9.0)
Tax on items above taken directly to equity	-	-	-	(1.2)	-	-	1.7	1.7	-	0.5
<b>Total comprehensive income recognised for the year ended 30 June 2016</b>	-	-	-	4.0	-	-	543.5	543.5	-	547.5
Dividend payments	-	-	-	-	-	-	(263.2)	(263.2)	-	(263.2)
Issue of shares	0.9	3.6	-	-	-	-	(0.6)	(0.6)	-	3.9
Share-based payments	-	-	-	-	-	12.8	-	12.8	-	12.8
Net purchase of own shares	-	-	-	-	(0.8)	-	-	(0.8)	-	(0.8)
Transfer of share-based payments charge for exercised/lapsed options	-	-	-	-	-	(10.8)	10.8	-	-	-
Tax on share-based payments	-	-	-	-	-	(8.5)	7.2	(1.3)	-	(1.3)
<b>At 30 June 2016</b>	100.4	222.7	1,109.0	(9.7)	(3.5)	27.5	2,554.9	2,578.9	8.9	4,010.2

The notes on pages 115 to 164 form an integral part of these Financial Statements.

### Statement of Changes in Shareholders' Equity – Company

	Share capital (note 5.6) £m	Share premium £m	Merger reserve (note 4.1.1) £m	Hedging reserve (note 5.4.3) £m	Own shares (note 5.6) £m	Share-based payments (note 6.3.1) £m	Retained earnings £m	Total retained earnings £m	Total equity £m
<b>At 1 July 2014</b>	98.5	214.8	1,109.0	(15.6)	(3.2)	18.1	2,539.4	2,554.3	3,961.0
Profit for the year	-	-	-	-	-	-	16.7	16.7	16.7
Amounts deferred in respect of effective cash flow hedges	-	-	-	(0.5)	-	-	-	-	(0.5)
Amounts reclassified to the Income Statement in respect of hedged cash flows	-	-	-	2.9	-	-	-	-	2.9
Actuarial losses on pension scheme	-	-	-	-	-	-	(11.5)	(11.5)	(11.5)
Tax on items above taken directly to equity	-	-	-	(0.5)	-	-	2.4	2.4	1.9
<b>Total comprehensive income recognised for the year ended 30 June 2015</b>	-	-	-	1.9	-	-	7.6	7.6	9.5
Dividend payments	-	-	-	-	-	-	(117.7)	(117.7)	(117.7)
Issue of shares	1.0	4.3	-	-	-	-	(0.7)	(0.7)	4.6
Share-based payments	-	-	-	-	-	11.6	-	11.6	11.6
Disposal of own shares	-	-	-	-	0.5	-	-	-	0.5
Transfer of share-based payments charge for exercised/lapsed options	-	-	-	-	-	(3.6)	1.4	(2.2)	(2.2)
Tax on share-based payments	-	-	-	-	-	0.1	2.3	2.4	2.4
<b>At 30 June 2015</b>	99.5	219.1	1,109.0	(13.7)	(2.7)	26.2	2,432.3	2,455.8	3,869.7
Profit for the year	-	-	-	-	-	-	1.4	1.4	1.4
Amounts deferred in respect of effective cash flow hedges	-	-	-	6.3	-	-	-	-	6.3
Amounts reclassified to the Income Statement in respect of hedged cash flows	-	-	-	(1.1)	-	-	-	-	(1.1)
Actuarial losses on pension scheme	-	-	-	-	-	-	(9.0)	(9.0)	(9.0)
Tax on items above taken directly to equity	-	-	-	(1.2)	-	-	1.8	1.8	0.6
<b>Total comprehensive income recognised for the year ended 30 June 2016</b>	-	-	-	4.0	-	-	(5.8)	(5.8)	(1.8)
Dividend payments	-	-	-	-	-	-	(263.2)	(263.2)	(263.2)
Issue of shares	0.9	3.6	-	-	-	-	(0.6)	(0.6)	3.9
Share-based payments	-	-	-	-	-	12.8	-	12.8	12.8
Net purchase of own shares	-	-	-	-	(0.8)	-	-	(0.8)	(0.8)
Transfer of share-based payments charge for exercised/lapsed options	-	-	-	-	-	(10.8)	3.7	(7.1)	(7.1)
Tax on share-based payments	-	-	-	-	-	(2.2)	2.0	(0.2)	(0.2)
<b>At 30 June 2016</b>	100.4	222.7	1,109.0	(9.7)	(3.5)	26.0	2,168.4	2,190.9	3,613.3

The notes on pages 115 to 164 form an integral part of these Financial Statements.

## Balance Sheets At 30 June 2016

	Notes	Group		Company	
		2016 £m	2015 £m	2016 £m	2015 £m
<b>Assets</b>					
<b>Non-current assets</b>					
Other intangible assets	4.2.2	100.0	100.0	-	-
Goodwill	4.2.1	792.2	792.2	-	-
Property, plant and equipment	4.5	9.6	8.2	4.8	3.8
Investments in subsidiary undertakings	4.1.3	-	-	3,100.1	3,097.8
Investments in joint ventures and associates	4.3	255.9	200.0	23.1	25.6
Retirement benefit assets	6.2.2	8.1	5.3	8.1	5.3
Available for sale financial assets	3.5	3.8	96.8	-	-
Trade and other receivables	3.2	1.6	3.3	-	-
Deferred tax assets	2.6.3	-	-	2.5	7.1
Derivative financial instruments – swaps	5.4	11.8	2.3	11.8	2.3
		1,183.0	1,208.1	3,150.4	3,141.9
<b>Current assets</b>					
Inventories	3.1	4,326.6	4,173.6	-	-
Available for sale financial assets	3.5	0.8	10.2	-	-
Trade and other receivables	3.2	149.6	158.8	78.1	697.7
Cash and cash equivalents	5.1	758.0	360.4	729.0	294.1
		5,235.0	4,703.0	807.1	991.8
<b>Total assets</b>		<b>6,418.0</b>	<b>5,911.1</b>	<b>3,957.5</b>	<b>4,133.7</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Loans and borrowings	5.1	(171.5)	(163.3)	(150.5)	(138.6)
Trade and other payables	3.3	(629.9)	(605.9)	(0.2)	-
Deferred tax liabilities	2.6.3	(10.5)	(1.2)	-	-
Derivative financial instruments – swaps	5.4	(7.5)	(17.0)	(7.5)	(17.0)
		(819.4)	(787.4)	(158.2)	(155.6)
<b>Current liabilities</b>					
Loans and borrowings	5.1	(6.0)	(13.2)	(42.7)	(58.5)
Trade and other payables	3.3	(1,513.5)	(1,349.8)	(137.6)	(49.9)
Derivative financial instruments – swaps	5.4	(5.6)	-	(5.6)	-
Current tax liabilities		(63.3)	(49.4)	(0.1)	-
		(1,588.4)	(1,412.4)	(186.0)	(108.4)
<b>Total liabilities</b>		<b>(2,407.8)</b>	<b>(2,199.8)</b>	<b>(344.2)</b>	<b>(264.0)</b>
<b>Net assets</b>		<b>4,010.2</b>	<b>3,711.3</b>	<b>3,613.3</b>	<b>3,869.7</b>
<b>Equity</b>					
Share capital	5.6.1	100.4	99.5	100.4	99.5
Share premium		222.7	219.1	222.7	219.1
Merger reserve	4.1.1	1,109.0	1,109.0	1,109.0	1,109.0
Hedging reserve	5.4.3	(9.7)	(13.7)	(9.7)	(13.7)
Retained earnings		2,578.9	2,288.5	2,190.9	2,455.8
<b>Equity attributable to the owners of the Company</b>		<b>4,001.3</b>	<b>3,702.4</b>	<b>3,613.3</b>	<b>3,869.7</b>
<b>Non-controlling interests</b>	4.1.2	<b>8.9</b>	<b>8.9</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>4,010.2</b>	<b>3,711.3</b>	<b>3,613.3</b>	<b>3,869.7</b>

The Financial Statements of Barratt Developments PLC (registered number 604574) were approved by the Board and authorised for issue on 6 September 2016. Signed on behalf of the Board.

David Thomas  
Chief Executive

Neil Cooper  
Chief Financial Officer

*David Thomas*

*Neil Cooper*

The notes on pages 115 to 164 form an integral part of these Financial Statements.

## Cash Flow Statements Year ended 30 June 2016

	Notes	Group		Company	
		2016 £m	2015 £m	2016 £m	2015 £m
<b>Net cash inflow from operating activities</b>		<b>652.9</b>	184.0	<b>671.1</b>	68.8
<b>Investing activities:</b>					
Purchase of property, plant and equipment	4.5	(6.1)	(5.4)	(3.2)	(2.8)
(Increase)/decrease in investments accounted for using the equity method	4.3	(11.9)	18.3	2.5	-
Dividends received from investments accounted for using the equity method	4.3	28.1	27.0	-	-
Interest received		2.6	2.3	37.4	60.0
Dividends received from subsidiaries		-	-	-	19.9
<b>Net cash inflow from investing activities</b>		<b>12.7</b>	42.2	<b>36.7</b>	77.1
<b>Financing activities:</b>					
Dividends paid	2.5	(263.2)	(117.7)	(263.2)	(117.7)
(Net purchase)/disposal of own shares		(0.8)	0.5	(0.8)	0.5
Proceeds from issue of share capital		3.9	4.6	3.9	4.6
Loan (repayments)/drawdown		(7.9)	(27.9)	(12.8)	1.8
<b>Net cash outflow from financing activities</b>		<b>(268.0)</b>	(140.5)	<b>(272.9)</b>	(110.8)
<b>Net increase in cash and cash equivalents</b>		<b>397.6</b>	85.7	<b>434.9</b>	35.1
<b>Cash and cash equivalents at the beginning of the year</b>		<b>360.4</b>	274.7	<b>294.1</b>	259.0
<b>Cash and cash equivalents at the end of the year</b>	5.1	<b>758.0</b>	360.4	<b>729.0</b>	294.1

	Notes	Group		Company	
		2016 £m	2015 £m	2016 £m	2015 £m
<b>Reconciliation of operating profit to cash flow from operating activities</b>					
<b>Operating activities:</b>					
<b>Profit/(loss) from operations</b>		<b>668.4</b>	576.8	<b>(9.5)</b>	(27.1)
Depreciation	4.5	4.5	3.3	2.0	1.3
Loss on disposal of fixed assets		0.2	-	0.2	-
Impairment of inventories		8.6	11.7	-	-
Impairment/(reversal of impairment) of available for sale financial assets		2.1	(1.4)	-	-
Impairment of investment in subsidiaries	4.1.3	-	-	-	18.7
Share-based payments charge	6.3	12.8	11.6	3.4	3.4
Imputed interest on deferred term payables*	5.2	(34.5)	(31.6)	-	-
Imputed interest on available for sale financial assets and interest free loans*	5.2	2.9	4.6	-	-
Amortisation of facility fees	5.2	(2.9)	(3.0)	(2.9)	(3.0)
Finance income related to employee benefits	5.2	0.4	0.4	0.4	0.4
<b>Total non-cash items</b>		<b>(5.9)</b>	(4.4)	<b>3.1</b>	20.8
Increase in inventories		(161.6)	(676.7)	-	-
(Increase)/decrease in trade and other receivables		(0.9)	(57.5)	607.8	122.0
Increase/(decrease) in trade and other payables		188.5	394.7	94.7	(16.6)
Decrease in available for sale financial assets		100.8	21.9	-	-
<b>Total movements in working capital</b>		<b>126.8</b>	(317.6)	<b>702.5</b>	105.4
Interest paid		(26.8)	(28.1)	(25.0)	(30.3)
Tax paid		(109.6)	(42.7)	-	-
<b>Net cash inflow from operating activities</b>		<b>652.9</b>	184.0	<b>671.1</b>	68.8

\* The Balance Sheet movements in land, available for sale financial assets and certain interest free loans include non-cash movements due to imputed interest. Imputed interest is therefore included within non-cash items in the statements above.

The notes on pages 115 to 164 form an integral part of these Financial Statements.

## Notes to the Financial Statements Year ended 30 June 2016

### Section

# 1

## Basis of preparation

### 1.1 Introduction

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and Standing Interpretations Committee ('SIC') interpretations as adopted and endorsed by the European Union ('EU') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and therefore the Group Financial Statements comply with Article 4 of the EU International Accounting Standards Regulation. The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of available for sale financial assets, derivative financial instruments and share-based payments.

#### Group accounting policies

The significant Group accounting policies are included within the relevant notes to the Financial Statements on pages 115 to 164.

Graphic removed

#### Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of the amounts, actual results may ultimately differ from those estimates. The Directors have made no individual judgements that have a significant impact upon the Financial Statements, apart from those involving estimations.

The most significant estimates made by the Directors in these Financial Statements are set out within the relevant notes on pages 115 to 164.

Graphic removed

### 1.2 Basis of consolidation

The Group Financial Statements include the results of Barratt Developments PLC (the 'Company'), incorporated in the UK, and all its subsidiary undertakings made up to 30 June. The financial statements of subsidiary undertakings are consolidated from the date when control passes to the Group using the purchase method of accounting and up to the date control ceases. All transactions with subsidiaries and intercompany profits or losses are eliminated on consolidation.

### 1.3 Going concern

In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The Group's business activities, together with factors which the Directors consider are likely to affect its future development, financial performance and financial position are set out in the Strategic Report on pages 2 to 45. The material financial and operational risks and uncertainties that may have an impact upon the Group's performance and their mitigation are outlined on pages 42 to 45 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 5.5 to the Financial Statements.

The financial performance of the Group is dependent upon the wider economic environment in which the Group operates. As explained in the Risk Management section on pages 41 to 45, factors that particularly affect the performance of the Group include changes in the macroeconomic environment including buyer confidence, availability of mortgage finance for the Group's customers and interest rates.

The Group has total committed bank facilities and private placement notes of £848.3m. The final maturity dates of these facilities range from August 2017 to July 2021, with £150.0m of the revolving credit facility maturing in December 2017 and £550.0m of the revolving credit facility maturing in December 2019. The committed facilities and private placement notes provide appropriate headroom above our current forecast debt requirements.

In addition to these committed borrowing facilities the Group has £22.5m of financing from the Government's 'Get Britain Building' and 'Growing Places Fund' schemes. The outstanding funds are repayable between December 2016 and March 2018. Further committed loan facilities of £4.6m are available under agreements with local government which are due to be repaid between March 2018 and March 2020.

Accordingly, after making enquiries and having considered forecasts and appropriate sensitivities, the Directors have formed a judgement, at the time of approving the Financial Statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of these Financial Statements. For this reason, they continue to adopt the going concern basis in the preparation of these Financial Statements.

Strategic Report	Governance	Financial Statements	Other Information
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## Notes to the Financial Statements Year ended 30 June 2016 *continued*

### 1.4 Adoption of new and revised standards

In the year ended 30 June 2016, the Group has adopted the following standards, amendments and interpretations, none of which have had a material impact on the Group:

- Annual Improvements Cycle 2012 – 2014
- Amendments to IAS 16: Property, Plant and Equipment
- Amendments to IAS 38: Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS 11: Accounting for the Acquisitions of Interests in Joint Operations
- Disclosure Initiative (Amendments to IAS 1)
- Amendments to IAS 27: Equity Method in Separate Financial Statements

### 1.5 Impact of standards and interpretations in issue but not yet effective

At the date of approval of these Financial Statements, there were a number of standards, amendments and interpretations that have been published and are therefore mandatory for the Group's accounting periods beginning on or after 1 July 2016 and later periods. The Group has not early-adopted any standard, amendment or interpretation.

The following new standards in particular are expected to have an impact upon the Group:

- IFRS 9 'Financial Instruments' was issued in final form incorporating the impairment, classification and measurement requirements in July 2014 and is scheduled to replace IAS 39 'Financial Instruments: Recognition and Measurement' from 1 July 2018. IFRS 9 will impact both the measurement and disclosures of financial instruments. The Group is currently assessing the impact of the revisions on the Group's results and financial position, a process we expect to be finalised during the year ending 30 June 2017. Until such assessment is completed it is not practical to provide an estimate of the full effect of IFRS 9.
- IFRS 15 'Revenue from Contracts with Customers' was issued on 28 May 2014 and amended in September 2015. This standard sets out revenue recognition conditions for the Group and will be applicable from 1 July 2018. The standard remains subject to industry interpretations and consensus. The Group has continued, but not yet completed, its assessment of the impact of the standard, on the Group. To date, we expect the standard may delay the recognition of revenue from construction contracts and may impact upon historical five-year warranty obligations, although these will not affect the Group's cash flows. In addition, the standard will require presentational changes to our Income Statement to show part-exchange income and expenses separately, which are currently recognised on a net basis within cost of sales, as detailed in note 2.1. It is not practical to provide an estimate of the full impact of IFRS 15 until our assessment has been completed, which we expect to be during the year ended 30 June 2017.
- IFRS 16 'Leases' was issued in January 2016 with an effective date of 1 January 2019. The standard specifies how leases are recognised, presented, measured and disclosed. The Group has continued, but not yet completed, its assessment of the impact of the standard on the Group's results and financial position. To date, we expect that the majority of the Group's lease commitments will be brought onto the Balance Sheet together with corresponding right of use assets. This is likely to impact on the timing of the recognition of lease costs within the Income Statement although it will not affect the Group's cash flows. It is not practical to provide an estimate of the full effect of IFRS 16 until our assessment has been completed, which we expect to be during the year ending 30 June 2017.
- Amendments to IAS 7 'Statement of Cash Flows' was issued in January 2016 and will be applicable to the Group from 1 July 2017. The Amendment requires enhanced disclosures of changes in financing liabilities.

## Section

## 2

## Results for the year and utilisation of profits

## 2.1 Revenue

The Group's revenue derives principally from the sale of the homes we build and from the sale of commercial property.

Graphic removed

**Sale of goods** – Revenue is recognised at legal completion in respect of the total proceeds of building and development. Revenue is measured at the fair value of consideration received or receivable and represents the amounts receivable for the property, net of discounts and VAT. The sale proceeds of part-exchange properties are not included in revenue and are recognised on a net basis within cost of sales on the basis that they are incidental to the main revenue-generating activities of the Group.

Graphic removed

**Contract accounting revenue** – Revenue is only recognised on a construction contract where the outcome can be estimated reliably. Contracts are only treated as construction contracts when they have been specifically negotiated for the construction of a development or property. Variations to, and claims arising in respect of, construction contracts, are included in revenue to the extent that they have been agreed with the customer. Revenue is recognised by reference to the stage of completion of contract activity at the balance sheet date. This is normally measured by surveys of work performed to date.

Graphic removed

**Lease income** – The Group enters into leasing arrangements with third parties following the completion of constructed developments until the date of the sale of the development to third parties. Rental income from these operating leases is recognised in the Income Statement on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised in the Income Statement on a straight-line basis over the lease term.

Graphic removed

**Recognition of profit where developments are accounted for under IAS 11 'Construction Contracts'** – The Group applies its policy on contract accounting when recognising revenue and profit on partially completed contracts. Revenue and costs are recognised by reference to the stage of completion of contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. When it is probable that the total costs on a construction contract will exceed total contract revenue, the expected loss is recognised as an expense in the Income Statement immediately. The application of this policy requires judgements to be made in respect of the total expected costs to complete for each site. The Group has in place established internal control processes to ensure that the evaluation of costs and revenues is based upon appropriate estimates.

An analysis of the Group's revenue is as follows:

	Notes	2016 £m	2015 £m
Sale of goods		4,073.0	3,515.4
Contract accounting revenue		162.2	244.1
<b>Revenue as stated in the Consolidated Income Statement</b>		<b>4,235.2</b>	<b>3,759.5</b>
Lease income	7.1.2	0.9	1.0
Finance income	5.2	5.9	7.6
Forfeit deposits		0.8	0.9
Other income		51.6	34.7
<b>Total revenue</b>		<b>4,294.4</b>	<b>3,803.7</b>

Sale of goods includes £369.9m (2015: £333.6m) of revenue generated where the sale has been achieved using part-exchange incentives.

Proceeds received on the disposal of part-exchange properties, which are not included in revenue, were £220.1m (2015: £179.7m).

Other income principally comprises the sale of freehold reversions, ground rents, property management income and management fees receivable from joint ventures.

## Notes to the Financial Statements Year ended 30 June 2016 *continued*

### 2.2 Segmental analysis

The Group consists of two separate segments for management reporting and control purposes, being housebuilding and commercial developments. The segments are considered appropriate for reporting under IFRS 8 'Operating Segments' since these segments are regularly reviewed internally by the Board without further significant categorisation. The Group presents its primary segment information on the basis of these operating segments. As the Group operates in a single geographic market, Great Britain, no secondary segmentation is provided.

	House- building Units	Commercial developments Units	2016 Total Units	House- building Units	Commercial developments Units	2015 Total Units
<b>Residential completions*</b>	<b>15,905</b>	<b>-</b>	<b>15,905</b>	15,599	-	15,599
<b>Consolidated Income Statement</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Revenue	4,153.3	81.9	4,235.2	3,702.3	57.2	3,759.5
Cost of sales	(3,361.3)	(73.5)	(3,434.8)	(2,999.2)	(46.0)	(3,045.2)
Gross profit	792.0	8.4	800.4	703.1	11.2	714.3
Administrative expenses	(129.6)	(2.4)	(132.0)	(132.4)	(5.1)	(137.5)
Profit from operations	662.4	6.0	668.4	570.7	6.1	576.8
Share of post-tax profit/(loss) from joint ventures and associates	72.4	(0.3)	72.1	45.9	(0.2)	45.7
Profit from operations including post-tax profit/(loss) from joint ventures and associates	734.8	5.7	740.5	616.6	5.9	622.5
Finance income			5.9			7.6
Finance costs			(64.1)			(64.6)
Profit before tax			682.3			565.5
Tax			(132.0)			(115.2)
<b>Profit for the year from continuing operations</b>			<b>550.3</b>			<b>450.3</b>

\* Residential completions exclude joint venture completions of 1,414 (2015: 848) in which the Group has an interest.

	House- building £m	Commercial developments £m	2016 Total £m	House- building £m	Commercial developments £m	2015 Total £m
<b>Balance Sheet</b>						
Segment assets	5,648.0	42.2	5,690.2	5,511.5	50.1	5,561.6
Elimination of intercompany balances			(30.2)			(10.9)
			5,660.0			5,550.7
Cash and cash equivalents			758.0			360.4
<b>Consolidated total assets</b>			<b>6,418.0</b>			<b>5,911.1</b>
Segment liabilities	(2,114.3)	(72.4)	(2,186.7)	(1,916.2)	(67.4)	(1,983.6)
Elimination of intercompany balances			30.2			10.9
			(2,156.5)			(1,972.7)
Loans and borrowings			(177.5)			(176.5)
Deferred tax liabilities			(10.5)			(1.2)
Current tax liabilities			(63.3)			(49.4)
<b>Consolidated total liabilities</b>			<b>(2,407.8)</b>			<b>(2,199.8)</b>

	House- building £m	Commercial developments £m	2016 Total £m	House- building £m	Commercial developments £m	2015 Total £m
<b>Other information</b>						
Capital additions	6.1	-	6.1	5.4	-	5.4
Depreciation	4.5	-	4.5	3.3	-	3.3

### 2.3 Profit from operations

Profit from operations includes all of the revenue and costs derived from the Group's operating businesses. Profit from operations excludes finance costs, finance income, the Group's share of profits or losses from joint ventures and associates and tax.

Graphic removed

**Government grants** – Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Grants related to income are included in the appropriate line within the Income Statement so as to match with the related costs they are intended to compensate for. Grants related to assets are deducted from the carrying amount of the asset.

## 2.3 Profit from operations *continued*

Graphic removed

**Lease charges** – Operating lease rentals are charged to the Income Statement in equal instalments over the life of the lease.

Graphic removed

**Estimation of costs to complete** – In order to determine the profit that the Group is able to recognise on its developments in a specific period, the Group has to allocate site-wide development costs between units built in the current year and in future years. It also has to estimate costs to complete on such developments. In making these assessments there is a degree of inherent uncertainty. The Group has developed internal controls to assess and review carrying values and the appropriateness of estimates made.

Profit from operations is stated after charging/(crediting):

	Notes	2016 £m	2015 £m
Staff costs	6.1	369.8	353.0
Government grants		-	(4.1)
Depreciation of property, plant and equipment	4.5	4.5	3.3
Lease income	7.1.2	(0.9)	(1.0)
Operating lease charges:			
- hire of plant, machinery and vehicles		28.8	32.6
- other		18.8	16.8

Government grants of £nil (2015: £2.3m) were received in the year relating to Government initiatives including the National Affordable Housing Programme and the Affordable Homes Programme. Grant income of £nil (2015: £4.1m) was recognised in the Consolidated Income Statement in relation to house sales completed under these initiatives.

Administrative expenses of £132.0m (2015: £137.5m) include sundry income of £52.4m (2015: £35.6m) which is disclosed within other revenue in note 2.1.

Profit from operations is stated after charging the Directors' emoluments disclosed in the Remuneration Report on page 86 and in note 6.1.

The Group does not recognise income from supplier rebates until received from suppliers. During the year £26.9m (2015: £22.2m) of supplier rebate income was included within profit from operations.

The remuneration paid to Deloitte LLP, the Group's principal auditor, is disclosed below:

Auditor's remuneration	2016 £000	2015 £000
Fees payable to the Company's auditor for the audit of the Parent Company and Consolidated Financial Statements	70	69
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	270	260
<b>Total audit fees</b>	<b>340</b>	<b>329</b>
Audit-related assurance services <sup>1</sup>	50	50
Taxation compliance services	102	96
Other taxation advisory services <sup>2</sup>	34	27
Other services <sup>2</sup>	217	60
<b>Total fees for other services</b>	<b>403</b>	<b>233</b>
<b>Total fees related to the Company and its subsidiaries</b>	<b>743</b>	<b>562</b>

1 Audit-related assurance services comprise the review of the interim report.

2 Other taxation advisory services and other services comprise advice provided on land acquisitions and disposals and other transactions in the normal course of business.

Details of the Group's policy on the use of the Company's principal auditor for non-audit services, and auditor independence are set out in the Audit Committee Report on pages 66 to 73. No services were provided pursuant to contingent fee arrangements.

In addition to the remuneration paid to the Company's auditor, for services related to the Company and its subsidiaries, the auditor received the following remuneration from joint ventures in which the Group participates:

	2016 £000	2015 £000
The audit of the Group's joint ventures pursuant to legislation	140	130
Other services	8	20
<b>Total fees related to joint ventures</b>	<b>148</b>	<b>150</b>

## Notes to the Financial Statements Year ended 30 June 2016 *continued*

### 2.4 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of £550.3m (2015: £449.4m) by the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust which are treated as cancelled, which was 998.7m (2015: 987.2m) shares.

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of £550.3m (2015: £449.4m) by the weighted average number of ordinary shares in issue adjusted to assume conversion of all potentially dilutive share options from the start of the year, giving a figure of 1,013.0m (2015: 1,008.4m) shares.

The earnings per share from continuing operations were as follows:

	2016 pence	2015 pence
Basic earnings per share	55.1	45.5
Diluted earnings per share	54.3	44.6

### 2.5 Dividends

	2016 £m	2015 £m
<b>Amounts recognised as distributions to equity shareholders in the year:</b>		
Final dividend for the year ended 30 June 2015 of 10.3p (2014: 7.1p) per share	103.1	70.2
Special dividend for the year ended 30 June 2015 of 10.0p (2014: nil) per share	100.0	-
Interim dividend for the year ended 30 June 2016 of 6.0p (2015: 4.8p) per share	60.1	47.5
<b>Total dividends distributed to equity shareholders in the year</b>	<b>263.2</b>	<b>117.7</b>
	2016 £m	2015 £m
Proposed final dividend for the year ended 30 June 2016 of 12.3p (2015: 10.3p) per share	123.3	102.3
Proposed special dividend for the year of 12.4p (2015: 10.0p) per share	125.0	100.0

The proposed final dividend and the special dividend are subject to approval by shareholders at the Annual General Meeting. The cost has been calculated based on the issued share capital at 30 June 2016 and has not been included as a liability at 30 June 2016.

### 2.6 Tax

All profits of the Group are subject to UK corporation tax.

The current year tax charge has been provided for at an effective rate of 20.0% (2015: 20.75%) and the closing deferred tax assets and liabilities have been provided in these Financial Statements at a rate of between 18.0% and 20.0% (2015: 20.0%) of the temporary differences giving rise to these assets and liabilities, dependent upon when they are expected to reverse.

#### 2.6.1 Tax recognised in the Income Statement

The tax expense represents the sum of the tax currently payable and deferred tax.

Graphic removed

**Tax** – The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Graphic removed

**Deferred tax** – Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax is measured on a non-discounted basis using the tax rates and laws that have then been enacted or substantively enacted by the balance sheet date, and is charged or credited to the income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

## 2.6 Tax *continued*

### 2.6.1 Tax recognised in the Income Statement *continued*

#### Analysis of the tax charge for the year

	Notes	2016 £m	2015 £m
<b>Current tax:</b>			
UK corporation tax for the year		135.1	102.9
Adjustment in respect of previous years		(2.6)	(8.3)
		<b>132.5</b>	<b>94.6</b>
<b>Deferred tax:</b>			
Origination and reversal of temporary differences		(0.4)	13.3
Adjustment in respect of previous years		1.7	7.3
Impact of reduction in corporation tax rate		(1.8)	-
	2.6.3	(0.5)	20.6
<b>Tax charge for the year</b>		<b>132.0</b>	<b>115.2</b>

#### Factors affecting the tax charge for the year

The tax rate assessed for the year is lower (2015: lower) than the standard effective rate of corporation tax in the UK of 20.0% (2015: 20.75%). The differences are explained below:

	2016 £m	2015 £m
<b>Profit before tax</b>	<b>682.3</b>	<b>565.5</b>
Profit before tax multiplied by the standard rate of corporation tax of 20.0% (2015: 20.75%)	<b>136.5</b>	<b>117.3</b>
Effects of:		
Other items including non-deductible expenses	1.2	1.0
Additional tax relief for land remediation costs	(2.0)	(1.3)
Adjustment in respect of previous years	(0.9)	(1.0)
Tax in respect of joint ventures	(1.0)	(0.8)
Impact of change in tax rate on deferred tax asset	(1.8)	-
<b>Tax charge for the year</b>	<b>132.0</b>	<b>115.2</b>

### 2.6.2 Tax recognised in equity

In addition to the amount charged to the Consolidated Income Statement, a net current and deferred tax charge of £0.8m (2015: £12.0m credit) was recognised directly in equity.

### 2.6.3 Deferred tax

All deferred tax relates to the United Kingdom and is stated on a net basis as the Group has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis.

Graphic removed

**Deferred tax** – Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## Notes to the Financial Statements Year ended 30 June 2016 *continued*

### 2.6 Tax *continued*

#### 2.6.3 Deferred tax *continued*

The Group recognised a net deferred tax liability with the following movements in the year:

Group	Pension scheme £m	Share options £m	Tax losses £m	Hedging £m	Brands £m	ACA £m	Other Intell £m	Total £m
At 1 July 2014	(0.6)	11.7	19.7	4.1	(20.0)	1.2	3.5	19.6
Income Statement (charge)/credit	(0.5)	1.4	(19.6)	-	-	-	(1.9)	(20.6)
Amounts taken directly to equity	-	1.4	-	(0.5)	-	-	(1.1)	(0.2)
At 30 June 2015	(1.1)	14.5	0.1	3.6	(20.0)	1.2	0.5	(1.2)
Comprising:								
Deferred tax assets	-	14.5	0.1	3.6	-	1.2	2.7	22.1
Deferred tax liabilities	(1.1)	-	-	-	(20.0)	-	(2.2)	(23.3)
<b>Year ended 30 June 2016:</b>								
Income Statement (charge)/credit	(0.5)	(0.5)	(0.1)	-	2.0	-	(0.4)	0.5
Amounts taken directly to equity	-	(8.5)	-	(1.2)	-	-	(0.1)	(9.8)
At 30 June 2016	(1.6)	5.5	-	2.4	(18.0)	1.2	-	(10.5)
Comprising:								
Deferred tax assets	-	5.5	-	2.4	-	1.2	1.9	11.0
Deferred tax liabilities	(1.6)	-	-	-	(18.0)	-	(1.9)	(21.5)

It is not anticipated that any of the deferred tax liability in respect of brands will reverse in the 12 months following the balance sheet date. Whilst it is anticipated that an element of the remaining deferred tax assets and liabilities will reverse during the 12 months following the balance sheet date, at present it is not possible to accurately quantify the value of all of these reversals.

In the March 2016 Budget the Chancellor of the Exchequer announced the intention to further reduce the main rate of corporation tax from 18% to 17% with effect from 1 April 2020. The change had not been substantively enacted at the balance sheet date and, therefore, the impact of this is not included in these Financial Statements. Had the change been enacted prior to the balance sheet date, there would be no significant impact on the deferred tax liability disclosed within these Financial Statements.

In addition to the deferred tax liability shown above, the Group has not recognised a deferred tax asset of £2.1m (2015: £2.3m) in respect of capital and other losses because these are not considered recoverable in the foreseeable future.

The Company recognised a net deferred tax asset with the following movements in the year:

Company	Pension scheme £m	Share options £m	Tax losses £m	Hedging £m	ACA £m	Other £m	Total £m
At 1 July 2014	(0.6)	3.3	19.6	4.1	0.8	0.7	27.9
Income Statement credit/(charge)	(0.5)	0.4	(19.6)	-	-	(0.7)	(20.4)
Amounts taken directly to equity	-	0.1	-	(0.5)	-	-	(0.4)
At 30 June 2015	(1.1)	3.8	-	3.6	0.8	-	7.1
Comprising:							
Deferred tax assets	-	3.8	-	3.6	0.8	-	8.2
Deferred tax liabilities	(1.1)	-	-	-	-	-	(1.1)
<b>Year ended 30 June 2016:</b>							
Income Statement (charge)/credit	(0.5)	(0.4)	-	-	(0.3)	-	(1.2)
Amounts taken directly to equity	-	(2.2)	-	(1.2)	-	-	(3.4)
At 30 June 2016	(1.6)	1.2	-	2.4	0.5	-	2.5
Comprising:							
Deferred tax assets	-	1.2	-	2.4	0.5	-	4.1
Deferred tax liabilities	(1.6)	-	-	-	-	-	(1.6)

## Section

## 3

## Working capital

## 3.1 Inventories

Graphic removed

**Inventories** – Inventories are valued at the lower of cost and net realisable value. Cost of work in progress comprises direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Land held for development, including land in the course of development, is initially recorded at discounted cost. Where, through deferred purchase credit terms, the carrying value differs from the amount that will ultimately be paid in settling the liability, this difference is charged as a finance cost in the Income Statement over the period of settlement.

Due to the scale of the Group's developments, the Group has to allocate site-wide development costs between units built in the current year and in future years. It also has to estimate costs to complete on such developments. In making these assessments, there is a degree of inherent uncertainty. The Group has developed internal controls to assess and review carrying values and the appropriateness of estimates made.

Graphic removed

**Carrying value of land and work in progress** – The Group's principal activities are housebuilding and commercial development. The majority of the development activity is not contracted prior to the development commencing. Accordingly, the Group has in its Balance Sheet at 30 June 2016 current assets that are not covered by a forward sale. The Group's internal controls are designed to identify any developments where the balance sheet value of land and work in progress is more than the projected lower of cost or net realisable value. During the year the Group has conducted six-monthly reviews of the net realisable value of specific sites identified as at high risk of impairment, based upon a number of criteria including low site profit margins and sites with no forecast completions. Where the estimated net realisable value of a site was less than its current carrying value within the Balance Sheet, the Group has impaired the land and work in progress value.

**Carrying value of land and work in progress continued** – During the year, due to performance variations, changes in assumptions and changes to viability on individual sites, there were gross impairment charges of £11.0m (2015: £17.9m) and gross impairment reversals of £2.4m (2015: £6.2m), resulting in a net impairment charge of £8.6m (2015: £11.7m) included within profit from operations.

The key judgements in these reviews were estimating the realisable value of a site, which is determined by forecast sales rates, expected sales prices and estimated costs to complete. The estimation of future sales prices and costs to complete included zero net inflation for the next three years and then low single digit net inflation thereafter. During the year the Group benefited from favourable market conditions, but increased uncertainty due to Brexit. If the UK housing market were to change beyond management expectations in the future, in particular with regards to the assumptions around sales prices and estimated costs to complete, further adjustments to the carrying value of land and work in progress may be required.

The land held at the balance sheet date that has already been impaired is most sensitive to the judgements being applied and the potential for further impairment or reversal. Forecasting risk also increases in relation to those sites that are not expected to be realised in the short to medium term.

	Group	
	2016 £m	2015 £m
Land held for development	2,880.2	2,826.1
Construction work in progress	1,386.3	1,287.4
Part-exchange properties and other inventories	60.1	60.1
	4,326.6	4,173.6

The Company has no inventories.

### 3.1.1 Nature of inventories

The Directors consider all inventories to be essentially current in nature, although the Group's operational cycle is such that a proportion of inventories will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised as this will be subject to a number of variables such as consumer demand and planning permission delays.

### 3.1.2 Expensed inventories

The value of inventories expensed in the year ended 30 June 2016 and included in cost of sales was £3,233.7m (2015: £2,903.5m).

## Notes to the Financial Statements Year ended 30 June 2016 *continued*

### 3.2 Trade and other receivables

Graphic removed

**Trade and other receivables** – Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets and are measured at amortised cost less an allowance for any uncollectable amounts. The net of these balances are classified as 'trade and other receivables' in the Balance Sheet.

Trade and other receivables are classified as 'loans and receivables'.

Trade and other receivables are assessed for indicators of impairment at each balance sheet date and are impaired where there is objective evidence that the recovery of the receivable is in doubt.

Objective evidence of impairment could include significant financial difficulty of the customer, default on payment terms or the customer going into liquidation.

The carrying amount of trade and other receivables is reduced through the use of an allowance account. When a trade or other receivable is considered uncollectable, it is provided against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Income Statement.

Of the year end trade receivables, the following were overdue but not impaired:

	Group	
	2016 £m	2015 £m
<b>Ageing of overdue but not impaired receivables</b>		
Less than three months	3.5	2.6
Greater than three months	0.2	1.7

The carrying values of trade and other receivables are stated after the following allowance for doubtful receivables:

	Notes	Group	
		2016 £m	2015 £m
<b>Allowance for doubtful receivables</b>			
At 1 July		2.4	4.0
Charge for the year	5.3.4	2.4	2.6
Uncollectable amounts written off net of recoveries		(1.3)	(4.2)
<b>At 30 June</b>		<b>3.5</b>	<b>2.4</b>

The allowance for doubtful receivables consists of individually impaired trade receivables that are in default. The impairment recognised in cost of sales represents the difference between the carrying amount of these trade receivables and the present value of any expected recoveries. The Group does not hold any collateral over these balances.

The Directors consider that the carrying amount of trade receivables approximates to their fair value.

Further disclosures relating to financial assets are set out in note 5.3.

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
<b>Non-current assets</b>				
Other receivables	1.6	3.3	-	-
	<b>1.6</b>	<b>3.3</b>	<b>-</b>	<b>-</b>
<b>Current assets</b>				
Trade receivables	110.6	123.8	0.1	0.3
Amounts due from subsidiary undertakings	-	-	75.9	695.6
Other receivables	23.8	22.4	0.7	0.5
Prepayments and accrued income	15.2	12.6	1.4	1.3
	<b>149.6</b>	<b>158.8</b>	<b>78.1</b>	<b>697.7</b>

### 3.3 Trade and other payables

Graphic removed

**Trade and other payables** – Trade and other payables on normal terms are not interest bearing and are stated at amortised cost.

Trade and other payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate by discounting at prevailing market interest rates at the date of recognition. The discount to nominal value, which will be paid in settling the deferred purchase terms liability, is amortised over the period of the credit term and charged to finance costs using the 'effective interest rate' method.

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
<b>Non-current liabilities</b>				
Land payables	549.4	493.6	-	-
Other payables	80.5	112.3	0.2	-
	629.9	605.9	0.2	-
<b>Current liabilities</b>				
Trade payables	393.8	392.5	2.7	4.4
Land payables	537.4	505.4	-	-
Amounts due to subsidiary undertakings	-	-	108.4	23.0
Accruals and deferred income	409.2	357.6	25.4	22.5
Other tax and social security	12.5	1.8	-	-
Other payables	160.6	92.5	1.1	-
	1,513.5	1,349.8	137.6	49.9

Accruals and deferred income includes a £3.3m (2015: £7.7m) social security accrual relating to share-based payments (note 6.3). Other payables classified as current liabilities principally comprise payments received on account and amounts due to related parties. Other payables classified as non-current liabilities at 30 June 2016 principally comprise deferred payments relating to the acquisition of land in a non-wholly controlled subsidiary.

The Group has £351.3m (2015: £357.8m) of payables secured by legal charges on certain assets and £88.8m (2015: £181.5m) supported by promissory notes. Other non-current payables are unsecured and non-interest bearing.

Further disclosures relating to financial liabilities are set out in note 5.3.

### 3.4 Contract accounting

Graphic removed

**Contract accounting** – Contracts are only treated as construction contracts when they have been specifically negotiated for the construction of a development or property. Amounts recoverable on construction contracts are included in trade receivables and stated at cost plus attributable profit less any foreseeable losses. Payments received on account for construction contracts are deducted from amounts recoverable on construction contracts. Payments received in excess of amounts recoverable on construction contracts are included in trade payables.

In relation to contracts in progress at the balance sheet date:

	Group	
	2016 £m	2015 £m
Amounts due from contract customers included in trade and other receivables	7.3	14.7
Amounts due to contract customers included in trade and other payables	(3.5)	(14.6)
	3.8	0.1

For contracts in progress at the balance sheet date, contract costs incurred plus recognised profits less recognised losses to date amounted to £199.5m (2015: £228.4m).

At 30 June 2016, retentions held by customers for contract work on contracts in progress at the balance sheet date amounted to £3.4m (2015: £3.3m), of which £1.7m (2015: £2.2m) are due for settlement after 12 months. Advances received from customers for contract work on contracts in progress at the balance sheet date amounted to £1.9m (2015: £6.5m), of which £1.9m (2015: £nil) relates to work, which is not expected to be performed in the next 12 months.

## Notes to the Financial Statements Year ended 30 June 2016 *continued*

### 3.5 Available for sale financial assets

Available for sale financial assets principally comprise interest free loans that are granted as part of sales transactions and for which the cash flows receivable are based on the value of the property at redemption. These loans are secured by way of a second legal charge on the respective property (after the first mortgage charge).

Graphic removed

**Available for sale financial assets** – Available for sale financial assets are held at fair value calculated as the present value of expected future cash flows, taking into account the estimated market value of the property at the estimated time of repayment. Gains and losses arising from changes in fair value are recognised in equity within other comprehensive income. Gains and losses arising from impairment losses, changes in future cash flows and interest calculated using the 'effective interest rate' method are recognised directly in the Income Statement.

For financial assets classified as available for sale, a significant or prolonged decline in the value of the property underpinning the value of the loan or increased risk of default are considered to be objective evidence of impairment. Increases in the fair value of available for sale assets previously subject to impairment, which can be objectively related to an event occurring after recognition of the impairment loss, are recognised in the Income Statement to the extent that they reverse the impairment loss.

	Group	
	2016 £m	2015 £m
<b>Secured loans</b>		
At 1 July	107.0	122.4
Additions	0.6	1.2
Disposals (at cost)	(163.6)	(29.6)
Imputed interest	2.1	4.6
Other provision movements	58.0	3.3
Fair value adjustment taken through other comprehensive income	0.5	5.1
<b>At 30 June</b>	<b>4.6</b>	<b>107.0</b>
Balance at 30 June analysed as:		
Current	0.8	10.2
Non-current	3.8	96.8

On 5 February 2016, the Group disposed of the majority of its available for sale assets to funds managed by PMM Advisers for cash of £82.9m. The fair value of these assets on disposal was £85.4m generating a loss on disposal of £2.5m. The gross value of the loans disposed of is included within the 'Disposals (at cost)' line and the provision against this is included in the 'Other provision movements' line. The valuation of these assets was based on the price expected to be achieved at disposal.

The fair value of the remaining portfolio has been calculated on a loan by loan basis using the present value of expected future cash flows of each loan.

Further disclosures relating to financial assets are set out in note 5.3.

## Section



### Business combinations and other investing activities

#### 4.1 Business combinations

Graphic removed

**Consolidation** – The financial statements of subsidiary undertakings are consolidated from the date when control passes to the Group using the purchase method of accounting and up to the date control ceases. All of the subsidiaries' identifiable assets and liabilities, including contingent liabilities, existing at the date of acquisition are recorded at their fair values. All changes to those assets and liabilities and the resulting gains and losses that arise after the Group has gained control of the subsidiary are included in the post-acquisition income statement. All intra-Group transactions and intercompany profits or losses are eliminated on consolidation.

A full list of the subsidiary undertakings of the Group and Company is included in note 7.4.

##### 4.1.1 Merger reserve

The merger reserve comprises the non-statutory premium arising on shares issued as consideration for the acquisition of subsidiaries where merger relief under section 612 of the Companies Act 2006 applies.

##### 4.1.2 Non-controlling interests

At 30 June 2016 the following subsidiaries of the Group had non-controlling interests:

Subsidiary	Percentage owned	Voting rights controlled	Country of registration	Principal place of business	Principal activity
SQ Holdings Limited	90.0%	90.0%	Guernsey*	UK	Housebuilding
The Tin Hat Regeneration Partnership LLP	90.0%	50.0%	England and Wales	UK	Commercial development

\* Subject to UK corporation tax (see note 2.6).

	Group	
	2016 £m	2015 £m
<b>Movement in non-controlling interest share of net assets recognised in the Consolidated Balance Sheet</b>		
At 1 July	8.9	8.0
Share of profit for the year recognised in the Consolidated Income Statement	–	0.9
<b>At 30 June</b>	<b>8.9</b>	<b>8.9</b>

## Notes to the Financial Statements Year ended 30 June 2016 *continued*

### 4.1 Business combinations *continued*

#### 4.1.2 Non-controlling interests *continued*

Summarised financial information relating to these subsidiaries:

	SO Holdings Limited		The Tin Hat Regeneration Partnership LLP		The 1249 Regeneration Partnership LLP*		Total	
	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m
Income	-	-	7.8	34.9	-	-	7.8	34.9
Expenditure	(2.0)	(0.8)	(6.9)	(30.0)	-	2.9	(8.9)	(27.9)
	(2.0)	(0.8)	0.9	4.9	-	2.9	(1.1)	7.0
Tax	0.4	0.2	-	-	-	-	0.4	0.2
Profit/(loss) for the year, being total comprehensive income for the year	(1.6)	(0.6)	0.9	4.9	-	2.9	(0.7)	7.2
Profit/(loss) for the year attributable to the Group	(1.4)	(0.6)	0.7	4.0	-	2.9	(0.7)	6.3
Profit for the year attributable to the non-controlling interests	(0.2)	-	0.2	0.9	-	-	-	0.9
Current assets	136.5	118.5	6.5	23.3	-	-	143.0	141.8
Non-current assets	-	-	-	-	-	-	-	-
Current liabilities	(5.4)	(9.4)	(1.5)	(18.4)	-	-	(6.9)	(27.8)
Non-current liabilities	(20.3)	(0.3)	-	-	-	-	(20.3)	(0.3)
Net assets/(liabilities)	110.8	108.8	5.0	4.9	-	-	115.8	113.7
Equity attributable to the Group	103.0	100.8	3.9	4.0	-	-	106.9	104.8
Non-controlling interests	7.8	8.0	1.1	0.9	-	-	8.9	8.9
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-
Net cash (outflow)/inflow from operating activities	(15.6)	0.1	(4.6)	10.3	-	-	(20.2)	10.4
Net cash inflow/(outflow) from financing activities	15.7	-	(7.3)	-	-	-	8.4	-
Net cash (outflow)/inflow	0.1	0.1	(11.9)	10.3	-	-	(11.8)	10.4

\* The 1249 Regeneration Partnership LLP was dissolved on 19 January 2016.

There are no significant restrictions on the ability of the Group to access or use assets and settle liabilities. Detailed arrangements for each subsidiary are laid out in the relevant shareholder and partnership agreements.

## 4.1 Business combinations *continued*

### 4.1.3 Company investments in subsidiary undertakings

Graphic removed

**Company investments** – The Company's interests in subsidiary undertakings are accounted for at cost less any provision for impairment.

Where share-based payments are granted to the employees of subsidiary undertakings by the Company, they are treated as a capital contribution to the subsidiary and the Company's investment in the subsidiary is increased accordingly.

	Company	
	2016 £m	2015 £m
<b>Cost</b>		
At 1 July	3,177.0	3,171.0
Increase in investment in subsidiaries	–	–
Increase in investment in subsidiaries related to share-based payments	2.3	6.0
<b>At 30 June</b>	<b>3,179.3</b>	<b>3,177.0</b>
<b>Impairment</b>		
At 1 July	79.2	60.5
Impairment of investments in subsidiaries in the year	–	18.7
<b>At 30 June</b>	<b>79.2</b>	<b>79.2</b>
<b>Net book value</b>		
At 1 July	3,097.8	3,110.5
<b>At 30 June</b>	<b>3,100.1</b>	<b>3,097.8</b>

## 4.2 Goodwill and other intangible assets

### 4.2.1 Goodwill

Graphic removed

**Goodwill** – Goodwill arising on consolidation represents the excess of the fair value of the consideration over the fair value of the separately identifiable net assets and liabilities acquired. Goodwill arising on the acquisition of subsidiary undertakings and businesses is capitalised as an asset but reviewed for impairment at least annually (see note 4.2.3).

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination at acquisition being housebuilding and commercial developments. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss is recognised immediately in the Income Statement and is not subsequently reversed.

	Group £m
<b>Cost</b>	
At 1 July 2014, 30 June 2015 and 30 June 2016	816.7
<b>Accumulated impairment losses</b>	
At 1 July 2014, 30 June 2015 and 30 June 2016	24.5
<b>Carrying amount</b>	
At 30 June 2015 and 30 June 2016	792.2

The Group's goodwill has a carrying value of £792.2m relating to the housebuilding segment. The goodwill relating to the commercial developments segment, with a cost of £24.5m, was fully impaired in the year ended 30 June 2008.

## Notes to the Financial Statements Year ended 30 June 2016 *continued*

### 4.2 Goodwill and other intangible assets *continued*

#### 4.2.2 Other intangible assets – Brands

Graphic removed

**Brands** – The Group has capitalised as intangible assets brands that have been acquired. Acquired brand values are calculated using discounted cash flows. Where a brand is considered to have a finite life, it is amortised over its useful life on a straight-line basis. Where a brand is capitalised with an indefinite life, it is not amortised. The factors that contribute to the durability of brands capitalised are that there are no material legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of these intangible assets. Internally generated brands are not capitalised.

The Group carries out an annual impairment review of indefinite life brands as part of the review of the carrying value of goodwill, by performing a value-in-use calculation, using a discount factor based upon the Group's pre-tax weighted average cost of capital (note 4.2.3).

	Group Brands £m
<b>Cost</b>	
At 1 July 2014, 30 June 2015 and 30 June 2016	<b>107.0</b>
<b>Amortisation</b>	
At 1 July 2014, 30 June 2015 and 30 June 2016	<b>7.0</b>
<b>Carrying amount</b>	
At 30 June 2015 and 30 June 2016	<b>100.0</b>

The Group does not amortise the housebuilding brand acquired with Wilson Bowden, being David Wilson Homes, valued at £100.0m, as the Directors consider that this brand has an indefinite useful economic life due to the fact that the Group intends to hold and support the brand for an indefinite period and there are no factors that would prevent it from doing so.

The brand of Wilson Bowden Developments (valued at £7.0m prior to amortisation) was being amortised over ten years as it is a business-to-business brand operating in niche markets. Following an impairment review at 30 June 2008, the Wilson Bowden Developments brand was fully impaired.

#### 4.2.3 Impairment of goodwill and intangible assets

The Group conducts an annual impairment review of goodwill and intangibles together for the housebuilding segment.

Graphic removed

**Impairment of goodwill and brands** – The impairment review for the goodwill of the housebuilding business and the Group's indefinite life brand, David Wilson Homes, requires an estimation of the value-in-use of the housebuilding segment. The value-in-use calculation requires an estimate of the future cash flows expected from the housebuilding business, including the anticipated growth rate of revenue and costs, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The discount rate used is based on the average capital structure of the Group, current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. Changes in these may impact upon the Group's discount rate in future periods.

An impairment review was performed at 30 June 2016 and compared the value-in-use of the housebuilding segment with the carrying value of its tangible and intangible assets and allocated goodwill.

The value-in-use was determined by discounting the expected future cash flows of the housebuilding segment. The first three years of cash flows were determined using the Group's approved detailed site-by-site business plan. The cash flows for the fourth and fifth years were determined using Group level internal forecasted cash flows based upon expected volumes, selling prices and margins, taking into account available land purchases and work in progress levels. The cash flows for year six onwards were extrapolated in perpetuity using an estimated growth rate of 2.5%, which was based upon the historical long term growth rate of the UK economy.

## 4.2 Goodwill and other intangible assets *continued*

### 4.2.3 Impairment of goodwill and intangibles *continued*

The key assumptions for the value-in-use calculations were:

- > Discount rate: this is a pre-tax rate reflecting current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. Accordingly, the rate of 14.2% (2015: 14.0%) is considered by the Directors to be the appropriate pre-tax risk adjusted discount rate, being the Group's estimated long term pre-tax weighted average cost of capital. The rate used in the 30 June 2016 impairment review is calculated using the average capital structure of the Group during the financial year, consistent with the prior year, due to the cyclical nature of the Group's borrowing requirements.
- > Expected changes in selling prices for completed houses and the related impact upon operating margin: these are determined on a site-by-site basis for the first three years dependent upon local market conditions and product type.
- > Sales volumes: these are determined on a site-by-site basis for the first three years dependent upon local market conditions, land availability and planning permissions.
- > Expected changes in site costs to complete: these are determined on a site-by-site basis for the first three years dependent upon the expected costs of completing all aspects of each individual development.

The conclusion of this impairment review was that given the current position of the housebuilding segment and the expectations as to its future performance based upon current forecasts for sales volumes and expected changes in both selling prices and costs to complete, the housebuilding segment's goodwill and intangible assets were not impaired. The recoverable value of goodwill and intangible assets exceeded its carrying value by £1,424.6m (2015: £1,547.4m).

If the UK housing market and expectations regarding its future were to deteriorate with either operating margins reduced each year by 4.2% versus management expectations (2015: 4.5% per annum) or the appropriate discount rate were to increase by 4.5% (2015: 4.3%) and all other variables were held constant, then the recoverable value of goodwill and intangible assets would equal its carrying value.

## 4.3 Investments in jointly controlled entities and associated entities

A jointly controlled entity (joint venture) is an entity, including an unincorporated entity such as a partnership, in which the Group holds an interest with one or more other parties where a contractual arrangement has established joint control over the entity. An associated entity is an entity, including an unincorporated entity such as a partnership, in which the Group holds a significant influence and that is neither a subsidiary nor an interest in a joint venture.

Graphic removed

**Jointly controlled entities** – Joint ventures and associated entities are accounted for using the equity method of accounting.

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
<b>Joint ventures and associates</b>				
At 1 July	200.0	199.6	25.6	25.6
Net increase/(decrease) in investments in joint ventures	11.9	(18.3)	(2.5)	-
Dividends received from joint ventures	(28.1)	(27.0)	-	-
Share of post-tax profit for the year from joint ventures	71.9	45.4	-	-
Share of post-tax profit for the year from associates	0.2	0.3	-	-
<b>At 30 June</b>	<b>255.9</b>	<b>200.0</b>	<b>23.1</b>	<b>25.6</b>

There are no losses in any of the Group's joint ventures or associates which have not been recognised by the Group.

## Notes to the Financial Statements Year ended 30 June 2016 *continued*

### 4.3 Investments in jointly controlled entities and associated entities *continued*

#### 4.3.1 Joint ventures

During the year, the Group entered into the following new joint venture arrangements: 51 College Road LLP and Sovereign BDW (Hutton Close) LLP. At 30 June 2016 the Group has interests in the following jointly controlled entities:

Joint venture	Percentage owned	Voting rights controlled	Country of registration	Principal place of business	Principal activity
Barratt Wates (Horley) Limited <sup>1</sup>	78.5%	50.0%	England and Wales	UK	Housebuilding
Ravenscraig Limited <sup>1</sup>	33.3%	33.3%	Scotland	UK	Commercial development
DWH/Wates (Thame) Limited	50.0%	50.0%	England and Wales	UK	Housebuilding
Barratt Metropolitan LLP	50.0%	50.0%	England and Wales	UK	Housebuilding
Alie Street LLP <sup>2</sup>	50.0%	50.0%	England and Wales	UK	Housebuilding
Queensland Road LLP <sup>2</sup>	50.0%	50.0%	England and Wales	UK	Housebuilding
Barratt Wates (East Grinstead) Limited	50.0%	50.0%	England and Wales	UK	Holding company
Barratt Wates (East Grinstead) No.2 Limited <sup>2</sup>	50.0%	50.0%	England and Wales	UK	Housebuilding
Barratt Osborne Worthing LLP	50.0%	50.0%	England and Wales	UK	Housebuilding
Barratt Osborne Bexley LLP	50.0%	50.0%	England and Wales	UK	Housebuilding
The Aldgate Place Limited Partnership	50.0%	50.0%	England and Wales	UK	Housebuilding
Aldgate Place (GP) Limited	50.0%	50.0%	England and Wales	UK	General partner
Fulham Wharf LLP <sup>2</sup>	50.0%	50.0%	England and Wales	UK	Housebuilding
Barratt Wates (Worthing) Limited	50.0%	50.0%	England and Wales	UK	Housebuilding
BK Scotswood LLP	50.0%	50.0%	England and Wales	UK	Holding company
Rose Shared Equity LLP	50.0%	50.0%	England and Wales	UK	Investment entity
Enderby Wharf LLP	50.0%	50.0%	England and Wales	UK	Housebuilding
Nine Elms LLP <sup>2</sup>	50.0%	50.0%	England and Wales	UK	Housebuilding
Brooklands Milton Keynes LLP	50.0%	50.0%	England and Wales	UK	Housebuilding
Sovereign BDW (Newbury) LLP	50.0%	50.0%	England and Wales	UK	Housebuilding
BDWZest Developments LLP <sup>2</sup>	50.0%	50.0%	England and Wales	UK	Holding company

Joint venture	Percentage owned	Voting rights controlled	Country of registration	Principal place of business	Principal activity
BDWZest LLP	50.0%	50.0%	England and Wales	UK	Holding company
ZestBDW LLP	50.0%	50.0%	England and Wales	UK	Holding company
Barratt Wates (Lindfield) Limited	50.0%	50.0%	England and Wales	UK	Housebuilding
Infinity Park Derby LLP	50.0%	50.0%	England and Wales	UK	Commercial development
51 College Road LLP	50.0%	50.0%	England and Wales	UK	Housebuilding
Sovereign BDW (Hutton Close) LLP	50.0%	50.0%	England and Wales	UK	Housebuilding
Old Sarum Park Properties Limited	50.0%	50.0%	England and Wales	UK	Dormant
Aldgate Land One Limited <sup>2</sup>	50.0%	50.0%	England and Wales	UK	Dormant
Aldgate Land Two Limited <sup>2</sup>	50.0%	50.0%	England and Wales	UK	Dormant

Graphic removed

#### Classification of joint arrangements

<sup>1</sup> The Group holds one joint venture investment (Barratt Wates (Horley) Limited) not in equal share, and one (Ravenscraig Limited) with more than one other party. However, in both cases, the Group has equal voting rights and control over the activities of the companies with the other parties. In addition, the Group and the other parties to the agreements only have rights to the net assets of these companies through the terms of the contractual arrangements. These entities are therefore classified as joint ventures.

<sup>2</sup> The Group's interests in a number of the entities classified as joint ventures are held indirectly.

➤ Barratt Wates (East Grinstead) No. 2 Limited is a wholly owned subsidiary of the Group's joint venture, Barratt Wates (East Grinstead) Limited, and is therefore classified as a joint venture of the Group.

➤ Aldgate Land One Limited and Aldgate Land Two Limited are wholly owned subsidiaries of the Group's joint venture, Aldgate Place (GP) Limited, and are therefore classified as joint ventures of the Group.

➤ BDWZest Developments LLP, Alie Street LLP, Queensland Road LLP, Fulham Wharf LLP and Nine Elms LLP form a group of limited liability partnerships jointly owned (directly or indirectly) by BDWZest LLP and ZestBDW LLP, both of which are joint ventures of the Group. All of these entities are therefore classified as joint ventures of the Group.

### 4.3 Investments in jointly controlled entities and associated entities *continued*

#### 4.3.1 Joint ventures *continued*

Summarised financial information relating to these joint ventures is as follows:

	Queensland Road LLP		Fulham Wharf LLP		Nine Elms LLP		Enderby Wharf LLP		Barratt Metropolitan LLP		Aldgate Place LP		Brooklands Milton Keynes LLP		Other joint ventures		Group Total	
	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m
Income	4.9	84.6	58.8	126.6	89.3	7.5	146.7	22.2	84.6	22.1	95.8	23.2	77.1	40.0	98.2	101.0	655.4	427.2
Expenditure	(3.7)	(55.8)	(51.3)	(98.3)	(73.1)	(8.3)	(114.4)	(19.2)	(62.7)	(17.1)	(72.8)	(18.9)	(55.8)	(29.1)	(83.6)	(87.5)	(517.4)	(334.2)
Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2.7)	(2.9)	(2.7)	(2.9)
Profit/(loss) for the year, being total comprehensive income/(expense)	1.2	28.8	7.5	28.3	16.2	(0.8)	32.3	3.0	21.9	5.0	23.0	4.3	21.3	10.9	14.6	13.5	138.0	93.0
Group share of profit/(loss) for the year recognised in the Consolidated Income Statement	0.6	14.4	3.8	14.1	8.1	(0.4)	16.2	1.5	16.4	3.8	11.5	2.1	10.7	5.4	4.6	4.5	71.9	45.4
Dividends received from joint ventures in the year	-	27.0	10.0	-	-	-	-	-	18.0	-	-	-	-	-	0.1	-	28.1	27.0
Current assets	3.3	19.6	142.0	186.1	230.8	176.0	116.9	95.1	47.9	57.4	93.4	97.6	35.3	40.5	121.5	116.0	791.1	788.3
Non-current assets	-	-	-	-	-	-	-	0.4	-	0.1	-	-	-	-	61.9	61.0	61.9	61.5
Current liabilities	(0.7)	(18.2)	(39.4)	(47.7)	(101.9)	(70.5)	(40.0)	(29.5)	(39.6)	(45.5)	(40.4)	(27.3)	(3.0)	(29.7)	(33.1)	(34.4)	(298.1)	(302.8)
Non-current liabilities	-	-	(25.6)	(64.3)	(60.5)	(82.3)	(2.1)	(23.5)	(3.7)	(5.3)	(23.4)	(63.8)	-	-	(86.6)	(82.4)	(201.9)	(321.6)
Net assets of joint ventures	2.6	1.4	77.0	74.1	68.4	23.2	74.8	42.5	4.6	6.7	29.6	6.5	32.3	10.8	63.7	60.2	353.0	225.4
Group share of net assets recognised in the Consolidated Balance Sheet at 30 June	1.3	0.7	38.5	37.1	34.2	11.6	37.4	21.3	3.4	5.1	14.8	3.3	16.1	5.4	38.8	36.7	184.5	121.2

During the year, the Group and Company entered into a number of transactions with their joint ventures in respect of funding and development management services (with charges made based on the utilisation of these services) in addition to the provision of construction services. Further details on these transactions are provided in note 7.3. The Group and Company have a number of contingent liabilities relating to their joint ventures. Further details on these are provided in note 7.2.

The Group has made loans of £84.9m (2015: £87.6m) to its joint ventures, which are included within Group investments accounted for using the equity method. Included within the Group's share of net assets of joint ventures is a proportion of loans to the joint ventures calculated using the Group's ownership share of £80.7m (2015: £85.7m).

The transfer of funds from the Group's joint ventures to the Group is determined by the terms of the joint venture agreements, which specify how available funds should be applied in repaying loans and capital, and distributing profits to the partners. The joint venture agreement entered into in respect of Rose Shared Equity LLP provides for the return of the capital invested by our joint venture partner (the 'preferred capital') before any funds can be transferred to the Group.

As at 30 June 2016 all of the preferred capital has been repaid. BDWZest Developments LLP has an external loan arrangement, the covenants and terms of which restrict the transfer of funds from it and its subsidiaries (Alie Street LLP, Queensland Road LLP, Fulham Wharf LLP and Nine Elms LLP) which are guarantors, to the Group. The terms of these agreements are such that the members' capital invested must at least match the external loan balance, limiting repayments of capital to the Group.

A number of the Group's joint ventures prepare financial statements which are non-coterminous with the Group in order to comply with the terms of their joint venture agreements and to align with the year ends of our joint venture partners. Alie Street LLP, Fulham Wharf LLP, Queensland Road LLP, Nine Elms LLP, BDWZest Developments LLP, BDWZest LLP, ZestBDW LLP and 51 College Road LLP prepare financial statements to 31 March. Barratt Osborne Bexley LLP prepares financial statements to 30 September and Barratt Osborne Worthing LLP prepares financial statements to 30 April. BK Scotswood LLP and Ravenscraig Limited prepare financial statements to 31 December. Management financial information is available for all joint ventures with non-coterminous year ends as at 30 June 2016 and 30 June 2015.

## Notes to the Financial Statements Year ended 30 June 2016 *continued*

### 4.3 Investments in jointly controlled entities and associated entities *continued*

#### 4.3.1 Joint ventures *continued*

The Company has an investment in one joint venture, Rose Shared Equity LLP.

Graphic removed

**Investment in joint venture containing non-current available for sale assets** – Rose Shared Equity LLP holds non-current available for sale financial assets comprising interest free loans that are secured by way of a second charge on the respective property. The Group's investment is accounted for using the equity method of accounting. In line with the Group's other joint venture investments, the carrying value is reviewed at each balance sheet date. This review requires estimation of the cash flows expected to be received by the Group which is based upon calculation of the fair values of the loans held by the entity including an estimate of future cash flows expected from the redemption of interest free loans, including an estimate of the market value of the property at the estimated time of redemption, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The estimated market value is based on original selling prices and local market conditions with an allowance for low single-digit sales price inflation. The estimated repayment profile is based on historic data for first time buyers selling their property. The discount rate used is consistent with the interest rate payable on a third party second charge loan of a similar amount and duration.

Summarised financial information relating to Rose Shared Equity LLP is as follows:

	Company Total	
	2016 £m	2015 £m
Income	14.5	27.4
Expenditure	(10.7)	(24.3)
Tax	-	-
Profit for the year, being total comprehensive income	3.8	3.1
<b>Group share of profit for the year recognised in the Consolidated Income Statement</b>	-	-
<b>Dividends received from joint venture in the year</b>	-	-
Current assets	1.1	1.6
Non-current assets	39.1	49.1
Current liabilities	(0.1)	(0.1)
Non-current liabilities	-	-
Net assets of joint venture	40.1	50.6
<b>Group share of net assets recognised in the Consolidated Balance Sheet at 30 June</b>	23.1	25.6

#### 4.3.2 Associated entities

The Group has significant interests in the following associated entity:

Associate	Percentage owned	Country of registration	Principal activity
New Tyne West Development Company LLP	25.0%	England and Wales	Housebuilding

New Tyne West Development Company LLP prepares financial statements to 31 December, which is non-coterminous with the Group, as agreed between the partners at the inception of the joint arrangement.

In relation to the Group's interests in associates, the Group's share of assets and liabilities of the associates is an asset of £0.3m at 30 June 2016 (2015: asset of £0.1m). The Group's share of the associate's profit during the year was £0.2m (2015: £0.3m).

The Group has made loans of £nil (2015: £nil) to its associate. Further details of transactions with associates are provided in note 7.3.

The Group has contingent liabilities relating to its associates. Further details on these are provided in note 7.2.

### 4.4 Jointly controlled operations

Graphic removed

**Jointly controlled operations** – The Group's share of profits and losses from its investments in jointly controlled operations is accounted for on a direct basis and is included in the Income Statement. The Group's share of its investments, assets and liabilities is accounted for on a directly proportional basis in the Group's Balance Sheet.

The Group enters into jointly controlled operations as part of its housebuilding and property development activities. The Group has acquired one new joint operation during the year, Chapel Hill. The Company has no jointly controlled operations (2015: none).

The Group has significant interests in the following jointly controlled operations:

Joint operation	Share of profits and assets consolidated	Principal place of business	Principal activity
Barrier Park East	50.0%	UK	Housebuilding
Lawley House	33.3%	UK	Housebuilding
Trenchard House	50.0%	UK	Housebuilding
Chapel Hill	50.0%*	UK	Housebuilding

\* Subject to achieving forecast profitability, 50% of profits are attributable to the Group. 50% of assets are consolidated excluding land, land creditors and any part-exchange properties.

#### 4.4 Jointly controlled operations *continued*

The Group's share of the joint operations' income and expenses, included in the Consolidated Income Statement during the year and the assets and liabilities of the joint operations which are included in the Consolidated Balance Sheet are shown below:

	Group	
	2014 £m	2015 £m
<b>Group share of:</b>		
Income	41.6	24.7
Expenses	(27.1)	(16.5)
<b>Share of profit from joint operations</b>	<b>14.5</b>	<b>8.2</b>
<b>Group share of:</b>		
Current assets	15.6	43.0
Non-current assets	0.2	0.2
Current liabilities	(11.1)	(20.7)
<b>Share of net assets of joint operations</b>	<b>4.7</b>	<b>22.5</b>

#### 4.5 Property, plant and equipment

Graphic removed

**Property, plant and equipment** – Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write-off the cost of the assets on a straight-line basis to their residual value over their estimated useful lives. Residual values and asset lives are reviewed annually.

Freehold properties are depreciated on a straight-line basis over 25 years. Freehold land is not depreciated. Plant is depreciated on a straight-line basis over its expected useful life, which ranges from one to seven years.

	Group			Company		
	Property £m	Plant and equipment £m	Total £m	Property £m	Plant and equipment £m	Total £m
<b>Cost</b>						
At 1 July 2014	2.8	15.9	18.7	0.2	6.5	6.7
Additions	-	5.4	5.4	-	2.8	2.8
Disposals	-	(0.7)	(0.7)	-	-	-
At 30 June 2015	2.8	20.6	23.4	0.2	9.3	9.5
<b>Additions</b>	<b>0.4</b>	<b>5.7</b>	<b>6.1</b>	-	<b>3.2</b>	<b>3.2</b>
Transfers to other Group companies	-	-	-	-	(0.1)	(0.1)
Disposals	-	(0.2)	(0.2)	-	(0.2)	(0.2)
<b>At 30 June 2016</b>	<b>3.2</b>	<b>26.1</b>	<b>29.3</b>	<b>0.2</b>	<b>12.2</b>	<b>12.4</b>
<b>Depreciation</b>						
At 1 July 2014	2.6	10.0	12.6	0.2	4.2	4.4
Charge for the year	0.1	3.2	3.3	-	1.3	1.3
Disposals	-	(0.7)	(0.7)	-	-	-
At 30 June 2015	2.7	12.5	15.2	0.2	5.5	5.7
<b>Charge for the year</b>	<b>0.1</b>	<b>4.4</b>	<b>4.5</b>	-	<b>2.0</b>	<b>2.0</b>
Transfers to other Group companies	-	-	-	-	(0.1)	(0.1)
Disposals	-	-	-	-	-	-
<b>At 30 June 2016</b>	<b>2.8</b>	<b>16.9</b>	<b>19.7</b>	<b>0.2</b>	<b>7.4</b>	<b>7.6</b>
<b>Net book value</b>						
At 30 June 2015	0.1	8.1	8.2	-	3.8	3.8
<b>At 30 June 2016</b>	<b>0.4</b>	<b>9.2</b>	<b>9.6</b>	-	<b>4.8</b>	<b>4.8</b>

Authorised future capital expenditure that was contracted but not provided for in these Financial Statements amounted to £0.3m (2015: £0.5m).

Notes to the Financial Statements Year ended 30 June 2016 *continued*

## Section

## 5

## Capital structure and financing

## 5.1 Net cash

Net cash is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and foreign exchange swaps.

Net cash at 30 June is shown below:

	Notes	Group		Company	
		2016 £m	2015 £m	2016 £m	2015 £m
<b>Cash and cash equivalents</b>	5.1.1	<b>758.0</b>	360.4	<b>729.0</b>	294.1
<b>Drawn debt</b>					
<b>Non-current borrowings</b>					
Term loans		(90.9)	(88.2)	(90.9)	(88.2)
Government loans		(21.0)	(24.7)	-	-
Private placement notes		(59.6)	(50.4)	(59.6)	(50.4)
<b>Total non-current borrowings</b>		<b>(171.5)</b>	(163.3)	<b>(150.5)</b>	(138.6)
<b>Current borrowings</b>					
Bank overdrafts		-	-	(42.7)	(58.5)
Government loans		(6.0)	(13.2)	-	-
<b>Total current borrowings</b>		<b>(6.0)</b>	(13.2)	<b>(42.7)</b>	(58.5)
<b>Total borrowings being total drawn debt</b>		<b>(177.5)</b>	(176.5)	<b>(193.2)</b>	(197.1)
<b>Derivative financial instruments</b>					
Foreign exchange swaps	5.4	11.5	2.6	11.5	2.6
<b>Net cash</b>		<b>592.0</b>	186.5	<b>547.3</b>	99.6

Included within non-current borrowings are prepaid facility arrangement fees of £9.5m (2015: £12.3m).

Movement in net cash is analysed as follows:

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
Net increase in cash and cash equivalents	<b>397.6</b>	85.7	<b>434.9</b>	35.1
Net loan repayments/(drawdown) including foreign exchange loss	(1.0)	23.7	<b>3.9</b>	(5.9)
Foreign exchange gain on swaps	<b>8.9</b>	4.1	<b>8.9</b>	4.1
Other fees relating to amendment of financing arrangements	-	(0.1)	-	-
<b>Movement in net cash in the year</b>	<b>405.5</b>	113.4	<b>447.7</b>	33.3
Opening net cash	<b>186.5</b>	73.1	<b>99.6</b>	66.3
<b>Closing net cash</b>	<b>592.0</b>	186.5	<b>547.3</b>	99.6

## 5.1.1 Cash and cash equivalents

Cash and cash equivalents are held at floating interest rates linked to the UK bank rate, LIBOR and money market rates as applicable. Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less from inception and are subject to an insignificant risk of changes in value. Cash and cash equivalents are classified as 'loans and receivables'. Further disclosures relating to financial assets are set out in note 5.3.1.

## 5.1.2 Borrowings and facilities

Graphic removed

**Loans and borrowings** – Interest bearing loans and overdrafts are recorded at the proceeds received plus accrued interest applied to the account less any repayments made, net of direct issue costs.

Where bank agreements include a legal right of offset for in hand and overdraft balances, and the Group intends to settle the net outstanding position, the offset arrangements are applied to record the net position in the Balance Sheet.

## 5.1 Net cash *continued*

### 5.1.2 Borrowings and facilities *continued*

All debt (excluding Get Britain Building loans) is unsecured.

The principal features of the Group's debt facilities at 30 June 2016 and 30 June 2015 were as follows:

Facility	Amount drawn		Maturity
	30 June 2016	30 June 2015	
<b>Committed facilities</b>			
Revolving credit facility (RCF)	£700.0m	-	£150.0m on 29 December 2017 £550.0m on 17 December 2019
Term loan	£100.0m	£100.0m	Repayments scheduled: 25% on 1 July 2019; 25% on 1 July 2020; and 50% on 1 July 2021
Government loans*	£22.5m	£22.5m	Repayments due between 6 December 2016 and 31 March 2018
Local government loan agreements	£4.6m	£4.6m including £0.1m interest	Repayments due between 31 March 2018 and 31 March 2020
Fixed rate US\$ private placement notes	\$80.0m	\$80.0m	23 August 2017

\* Government loans comprise:

- **Get Britain Building** – The Group has received cash upon specific sites under the Government's 'Get Britain Building' scheme, which is repayable as described in the table above.
- **Growing Places Fund** – The Group has received cash under a local government 'Growing Places Fund' scheme which is repayable over four years in eight six-monthly instalments, the first of which was in December 2013.

The Group also uses various bank overdrafts and uncommitted borrowing facilities that are subject to floating interest rates linked to UK bank rate, LIBOR and money market rates as applicable.

Weighted average interest rates are disclosed in note 5.2.

## 5.2 Net finance costs

Graphic removed

**Finance costs and income** – The Group recognises finance costs and income on bank borrowings and deposits and other borrowings in the Income Statement in the period to which they relate.

### Recognised in the Consolidated Income Statement:

	Notes	2016 £m	2015 £m
<b>Finance income</b>			
Finance income on short term bank deposits		(0.7)	(0.1)
Imputed interest on available for sale financial assets and interest free loans		(2.9)	(4.6)
Finance income related to employee benefits	6.2.2	(0.4)	(0.4)
Other interest receivable		(1.9)	(2.5)
		(5.9)	(7.6)
<b>Finance costs</b>			
Interest on loans and borrowings		14.1	19.1
Imputed interest on deferred term payables		34.5	31.6
Amounts reclassified to the Income Statement in respect of hedged cash flows	5.4.3	(1.1)	2.9
Foreign exchange losses on US Dollar debt		8.9	4.1
Amortisation of facility fees		2.9	3.0
Other interest payable		4.8	3.9
		64.1	64.6
<b>Net finance costs</b>		<b>58.2</b>	<b>57.0</b>

## Notes to the Financial Statements Year ended 30 June 2016 *continued*

### 5.2 Net finance costs *continued*

#### Recognised in equity:

	Notes	2016 £m	2015 £m
Amounts deferred in respect of effective cash flow hedges	5.4.3	(6.3)	0.5
<b>Total fair value movement on cash flow swaps included in equity</b>		<b>(6.3)</b>	<b>0.5</b>
Amounts reclassified to the Income Statement in respect of hedged cash flows	5.4.3	1.1	(2.9)
<b>Total fair value movement on cash flow swaps transferred from equity</b>		<b>1.1</b>	<b>(2.9)</b>

The weighted average interest rates, excluding fees, paid in the year were as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Bank loans excluding swap interest	2.1	2.4	2.1	2.4
Net swap payment	5.2	5.1	5.2	5.1
Government loans	2.2	2.4	-	-
Term loans	4.7	4.9	4.7	4.9
Private placement notes	8.2	8.1	8.2	8.1

### 5.3 Financial instruments

Graphic removed

**Recognition** – Financial assets and financial liabilities are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Group derecognises a financial liability only when the Group's obligations are discharged, cancelled or they expire.

Graphic removed

**Classification and measurement** – Non-derivative financial assets are classified as either 'available for sale financial assets' or 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All non-derivative financial liabilities are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs. Other financial liabilities consist of bank borrowings and trade and other payables.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

The fair value of available for sale assets is determined as described in note 3.5. The fair values of other non-derivative financial assets and liabilities are determined based on discounted cash flow analysis using current market rates for similar instruments. Other financial liabilities are subsequently measured at amortised cost using the 'effective interest rate' method.

All of the Group's interest rate and cross currency swaps are designated as cash flow hedges. Derivative financial instruments are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

## 5.3 Financial instruments *continued*

### 5.3.1 Financial assets

The carrying values and fair values of the Group and Company financial assets are as follows:

	Notes	Group				Company			
		Fair value £m	2016 Carrying value £m	Fair value £m	2015 Carrying value £m	Fair value £m	2015 Carrying value £m		
<b>Designated as cash flow hedges</b>									
Derivative financial instruments	5.4	11.8	11.8	2.3	2.3	11.8	11.8	2.3	2.3
<b>Loans and receivables</b>									
Cash and cash equivalents	5.1	758.0	758.0	360.4	360.4	729.0	729.0	294.1	294.1
Trade and other receivables*		106.9	106.9	112.6	112.6	0.7	0.7	0.3	0.3
Intercompany loans	3.2	-	-	-	-	75.9	75.9	695.6	695.6
<b>Available for sale</b>									
Non-current available for sale financial assets	3.5	3.8	3.8	96.8	96.8	-	-	-	-
Current available for sale financial assets	3.5	0.8	0.8	10.2	10.2	-	-	-	-
<b>Total financial assets</b>		<b>881.3</b>	<b>881.3</b>	<b>582.3</b>	<b>582.3</b>	<b>817.4</b>	<b>817.4</b>	<b>992.3</b>	<b>992.3</b>

\* Trade and other receivables exclude accrued income, amounts recoverable on contracts, prepayments and tax and social security.

### 5.3.2 Financial liabilities

The carrying values and fair values of the Group and Company financial liabilities are as follows:

	Notes	Group				Company			
		Fair value £m	2016 Carrying value £m	Fair value £m	2015 Carrying value £m	Fair value £m	2015 Carrying value £m		
<b>Designated as cash flow hedges</b>									
Derivative financial instruments	5.4	13.1	13.1	17.0	17.0	13.1	13.1	17.0	17.0
<b>Other financial liabilities</b>									
Bank overdrafts	5.1	-	-	-	-	42.7	42.7	58.5	58.5
Trade and other payables*		1,883.2	1,870.2	1,717.9	1,707.8	16.7	16.7	14.4	14.4
Intercompany payables	3.3	-	-	-	-	108.4	108.4	23.0	23.0
Loans and borrowings	5.1	179.0	177.5	178.4	176.5	152.0	150.5	140.5	138.6
<b>Total financial liabilities</b>		<b>2,075.3</b>	<b>2,060.8</b>	<b>1,913.3</b>	<b>1,901.3</b>	<b>332.9</b>	<b>331.4</b>	<b>253.4</b>	<b>251.5</b>

\* Trade and other payables excludes deferred income, payments received in excess of amounts recoverable on contracts, tax and social security and other non-financial liabilities.

Trade and other payables include land payables, which may bear interest on a contract specific basis, and items secured by legal charge as disclosed in note 3.3.

### 5.3.3 Financial assets and liabilities measured subsequent to initial recognition at fair value

The following tables provide an analysis of financial assets and financial liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- > Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical liabilities;
- > Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- > Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no transfers of liabilities between levels of the fair value hierarchy and no non-recurring fair value measurements.

## Notes to the Financial Statements Year ended 30 June 2016 *continued*

### 5.3 Financial instruments *continued*

#### 5.3.3 Financial assets and liabilities measured subsequent to initial recognition at fair value *continued*

Financial assets measured subsequent to initial recognition at fair value are as follows:

	Notes	2016			2015			Group Total £m
		Level 1 £m	Level 2 £m	Level 3 £m	Level 1 £m	Level 2 £m	Level 3 £m	
<b>Derivative instruments in designated hedge accounting relationships</b>								
Derivative financial assets	5.4	-	11.8	-	11.8	-	2.3	2.3
<b>Available for sale</b>								
Non-current available for sale financial assets*	3.5	-	-	3.8	3.8	-	-	96.8
Current available for sale financial assets*	3.5	-	-	0.8	0.8	-	-	10.2
<b>Total</b>		-	11.8	4.6	16.4	-	2.3	107.0
<b>Company</b>								
<b>Derivative instruments in designated hedge accounting relationships</b>								
Derivative financial assets	5.4	-	11.8	-	11.8	-	2.3	2.3
<b>Total</b>		-	11.8	-	11.8	-	2.3	2.3

\* Further disclosures for available for sale assets are provided in note 3.5.

Financial liabilities measured subsequent to initial recognition at fair value are as follows:

	Notes	2016			2015			Group and Company Total £m
		Level 1 £m	Level 2 £m	Level 3 £m	Level 1 £m	Level 2 £m	Level 3 £m	
<b>Derivative instruments in designated hedge accounting relationships</b>								
Derivative financial liabilities	5.4	-	13.1	-	13.1	-	17.0	17.0
<b>Total</b>		-	13.1	-	13.1	-	17.0	17.0

#### 5.3.4 Financial instruments gains and losses

The net (gains)/losses recorded in the Consolidated Income Statement, in respect of financial instruments (excluding interest shown in note 5.2), were as follows:

	Notes	2016 £m	2015 £m
<b>Loans and receivables</b>			
Impairment of trade receivables	3.2	2.4	2.6
<b>Available for sale financial assets</b>			
Net profit transferred on sale		(5.6)	(9.9)
Net impairment of available for sale financial assets		7.7	8.5
<b>Other financial liabilities</b>			
Foreign exchange losses on US Dollar debt		8.9	4.1
<b>Transfers from hedged items</b>			
Transfer from equity on currency cash flow hedges	5.4.3	(8.9)	(4.1)

#### 5.4 Derivative financial instruments – swaps

The Group has entered into derivative financial instruments in the form of interest rate swaps and cross currency swaps to manage the interest rate and foreign exchange rate risk arising from the Group's operations and sources of finance. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors as detailed in note 5.5 to the Financial Statements. Neither the Group nor the Company enters into any derivatives for speculative purposes.

Graphic removed

**Derivative financial instruments** – Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The interest rate and cross currency swap arrangements are designated as hedging instruments, being either hedges of a change in future cash flows as a result of interest rate movements or hedges of a change in future cash flows as a result of foreign currency exchange rate movements. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedged transactions. In addition, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting the changes in cash flows of the hedged items.

## 5.4 Derivative financial instruments – swaps *continued*

**Derivative financial instruments continued** – The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

Graphic removed

**Hedge accounting** – The Group has adopted hedge accounting for its swaps. If it ceases to be highly probable that there is sufficient forecast debt to match with the period of the interest rate swaps or if the cross currency hedges cease to be highly effective, any changes in fair value of the swaps would be recognised in the Consolidated Income Statement, rather than equity.

The Group includes foreign exchange swaps within net debt. These swaps were entered into to hedge the foreign exchange exposure upon the Group's US Dollar denominated private placement notes. The Group's foreign exchange swaps have both an interest rate and an exchange rate element and only the exchange rate element on the notional amount of the swap is included within the net cash note.

The Group's derivative financial instruments at 30 June are shown below:

	Group and Company	
	2016 £m	2015 £m
<b>Designated as cash flow hedges:</b>		
Foreign exchange swap – exchange rate element	11.5	2.6
Foreign exchange swap – interest rate element	0.3	(0.3)
<b>Non-current asset</b>	11.8	2.3
<b>Interest rate swaps – non-current liability</b>	(7.5)	(17.0)
<b>Interest rate swaps – current liability</b>	(5.6)	–
<b>Total liability</b>	(13.1)	(17.0)
<b>Net derivative financial instruments</b>	(1.3)	(14.7)

### 5.4.1 Interest rate swaps

The Group and Company enter into derivative transactions in the form of swap arrangements to manage the cash flow risks, related to interest rates, arising from the Group's and Company's sources of finance.

As at 30 June 2016, the Group had outstanding floating rate Sterling debt and overdrafts, excluding fees, of £122.0m (2015: £126.9m) and the Company had outstanding net floating rate Sterling debt and overdrafts, excluding fees, of £143.3m (2015: £158.5m). In obtaining this funding, the Group and the Company sought to achieve certainty as to the availability of, and income statement charge related to, a designated proportion of anticipated future debt requirements.

The Group and Company have entered into swap arrangements to swap £137.0m (2015: £137.0m) of this debt into fixed rate Sterling debt in accordance with the Group and Company treasury policy outlined in note 5.5. After taking into account swap arrangements, the fixed interest rates applicable to the debt were as follows:

£m	Fixed rate payable %	2016 Maturity	£m	Fixed rate payable %	2015 Maturity
60.0	6.06	2017	60.0	6.06	2017
19.5	6.18	2017	19.5	6.18	2017
32.5	5.83	2017	32.5	5.83	2017
25.0	5.61	2022	25.0	5.61	2022
137.0			137.0		

During the year ended 30 June 2016 hedging ineffectiveness of £0.7m (2015: £nil) was charged to the Consolidated Income Statement.

Further disclosures relating to financial instruments are set out in note 5.3.

### 5.4.2 Foreign exchange swaps

The Group and Company enter into derivative transactions in the form of swap arrangements to manage the cash flow risks related to foreign exchange arising from the Group's sources of finance denominated in US Dollars.

As at 30 June 2016, the Group and Company had outstanding fixed rate US Dollar loan notes of \$80.0m (2015: \$80.0m).

The Group and Company have entered into swap arrangements to swap all of this debt into fixed rate Sterling debt in accordance with the Group and Company Treasury policy outlined in note 5.5. After taking into account swap arrangements, the fixed interest rates applicable to the debt were as follows:

\$m	Fixed rate payable %	2016 Maturity	\$m	Fixed rate payable %	2015 Maturity
80.0	8.14	2017	80.0	8.14	2017

There was no ineffectiveness to be taken through the Consolidated Income Statement during the year or the prior year. Further disclosures relating to financial instruments are set out in note 5.3.

## Notes to the Financial Statements Year ended 30 June 2016 *continued*

### 5.4 Derivative financial instruments – swaps *continued*

Graphic removed

#### 5.4.3 Hedge accounting and hedging reserve

To the extent that the Group's cash flow hedges are effective, gains and losses on the fair value of the interest rate and cross currency swap arrangements are deferred in equity in the hedging reserve until realised. On realisation, such gains and losses are recognised within finance charges in the Income Statement.

To the extent that any hedge is ineffective, gains and losses on the fair value of these swap arrangements are recognised immediately in finance charges in the Income Statement.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires, is sold or terminated or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

The hedging reserve represents the cumulative effective portion of deferred fair value gains or losses on derivative financial instruments that have been designated as cash flow hedges by the Company, where the hedged cash flows are still expected to occur.

	Notes	Group and Company	
		2016 £m	2015 £m
<b>Transfers to hedging reserve:</b>			
Loss on interest rate swaps		(3.2)	(4.6)
Gain on foreign exchange swaps		9.5	4.1
<b>Gain/(loss) transferred to hedging reserve</b>	5.2	<b>6.3</b>	<b>(0.5)</b>
<b>Transfers from hedging reserve:</b>			
Hedged interest cash flows		7.1	7.0
Hedged foreign currency cash flows		(8.9)	(4.1)
Ineffectiveness on interest rate swap transferred to Income Statement		0.7	-
<b>(Loss)/gain transferred to Income Statement</b>	5.2	<b>(1.1)</b>	<b>2.9</b>

Movements on the hedging reserve in equity are detailed in the Statements of Changes in Shareholders' Equity.

### 5.5 Financial risk management

The Group's approach to risk management and the principal operational risks of the business are detailed on pages 41 to 45. The Group's financial assets, financial liabilities and derivative financial instruments are detailed in notes 5.3 and 5.4.

The Group's operations and financing arrangements expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risks, liquidity risks and interest rates. The most significant of these to the Group is liquidity risk and, accordingly, there is a regular, detailed system for the reporting and forecasting of cash flows from the operations to Group management to ensure that risks are promptly identified and appropriate mitigating actions taken by the Treasury department. These forecasts are further stress-tested at a Group level on a regular basis to ensure that adequate headroom within facilities and banking covenants is maintained. In addition, the Group has in place a risk management programme that seeks to limit the adverse effects of the other risks on its financial performance, in particular by using financial instruments, including debt and derivatives, to hedge interest rates and currency rates. The Group does not use derivative financial instruments for speculative purposes. See principal risks on page 42 for more details.

The Board approves Treasury policies and certain day-to-day treasury activities have been delegated to a centralised Treasury Operating Committee, which in turn regularly reports to the Board. The Treasury department implements guidelines that are established by the Board and the Treasury Operating Committee.

#### 5.5.1 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. The Group actively maintains a mixture of long term and medium term committed facilities that are designed to ensure that the Group has sufficient available funds for operations. The Group's borrowings are typically cyclical throughout the financial year and peak in April and May; and October and November of each year, due to seasonal trends in income. Accordingly, the Group maintains sufficient facility headroom to cover these requirements. On a normal operating basis, the Group has a policy of maintaining a minimum headroom of £150.0m. The Group identifies and takes appropriate actions based upon its regular, detailed system for the reporting and forecasting of cash flows from its operations. The Group's drawn debt, excluding fees, represented 20.0% (2015: 21.0%) of available committed facilities at 30 June 2016. In addition, the Group had £758.0m (2015: £360.4m) of cash and cash equivalents.

The Group was in compliance with its financial covenants at 30 June 2016. At the date of approval of the Financial Statements, the Group's internal forecasts indicate that it will remain in compliance with these covenants for the foreseeable future, being at least 12 months from the date of signing these Financial Statements.

One of the Group's objectives is to minimise refinancing risk. The Group therefore has a policy that the average maturity of its committed bank facilities and private placement notes is at least two years on average with a target of three years. At 30 June 2016, the average maturity of the Group's facilities was 3.0 years (2015: 4.0 years).

## 5.5 Financial risk management *continued*

### 5.5.1 Liquidity risk *continued*

The Group maintains certain committed floating rate facilities with banks to ensure sufficient liquidity for its operations. The undrawn committed facilities available to the Group, in respect of which all conditions precedent had been met, were as follows:

Expiry date	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
In less than one year	-	-	-	-
In more than one year but not more than two years	150.0	-	150.0	-
In more than two years but not more than five years	550.0	701.7	550.0	700.0
In more than five years	-	-	-	-
	<b>700.0</b>	<b>701.7</b>	<b>700.0</b>	<b>700.0</b>

In addition, the Group had £71.2m (2015: £71.2m) of undrawn uncommitted facilities available at 30 June 2016.

The expected undiscounted cash flows of the Group and Company financial liabilities, excluding derivative financial liabilities, by remaining contractual maturity at the balance sheet date were as follows:

Group	Notes	Carrying amount £m	Contractual cash flow £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
<b>2016</b>							
Loans and borrowings (including bank overdrafts) <sup>1</sup>	5.3.2	177.5	249.9	30.8	88.9	80.2	50.0
Trade and other payables <sup>2</sup>	5.3.2	1,870.2	1,935.0	1,260.7	351.2	277.1	46.0
		<b>2,047.7</b>	<b>2,184.9</b>	<b>1,291.5</b>	<b>440.1</b>	<b>357.3</b>	<b>96.0</b>
<b>2015</b>							
Loans and borrowings (including bank overdrafts) <sup>1</sup>	5.3.2	176.5	295.4	40.6	32.8	144.5	77.5
Trade and other payables <sup>2</sup>	5.3.2	1,707.8	1,773.9	1,143.7	269.0	322.8	38.4
		<b>1,884.3</b>	<b>2,069.3</b>	<b>1,184.3</b>	<b>301.8</b>	<b>467.3</b>	<b>115.9</b>

Company	Notes	Carrying amount £m	Contractual cash flow £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
<b>2016</b>							
Loans and borrowings (including bank overdrafts) <sup>1</sup>	5.3.2	193.2	264.4	66.9	68.8	78.7	50.0
Trade and other payables <sup>2</sup>	5.3.2	16.7	16.7	16.7	-	-	-
Intercompany payables	5.3.2	108.4	108.4	108.4	-	-	-
		<b>318.3</b>	<b>389.5</b>	<b>192.0</b>	<b>68.8</b>	<b>78.7</b>	<b>50.0</b>
<b>2015</b>							
Loans and borrowings (including bank overdrafts) <sup>1</sup>	5.3.2	197.1	314.3	84.9	26.4	125.5	77.5
Trade and other payables <sup>2</sup>	5.3.2	14.4	14.4	14.4	-	-	-
Intercompany payables	5.3.2	23.0	23.0	23.0	-	-	-
		<b>234.5</b>	<b>351.7</b>	<b>122.3</b>	<b>26.4</b>	<b>125.5</b>	<b>77.5</b>

1 The disclosure of contractual cash flows in the preceding tables is calculated on the basis that the Group's £700.0m revolving credit facility is fully drawn down. At 30 June 2016 none of this facility was drawn.

2 Trade and other payables exclude deferred income, payments received in excess of amounts recoverable on contracts, tax and social security and other non-financial liabilities.

The expected undiscounted cash flows of the Group's and the Company's derivative financial instruments, by remaining contractual maturity, at the balance sheet date were as follows:

Group and Company	Notes	Carrying amount £m	Contractual cash flow £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
<b>2016</b>							
<b>Financial assets</b>							
Gross settled derivatives:							
Receive leg	5.4	11.8	68.9	4.5	64.4	-	-
Pay leg		-	(56.2)	(3.9)	(52.3)	-	-
<b>Financial liabilities</b>							
Net settled derivatives	5.4	(13.1)	(19.7)	(7.3)	(7.6)	(3.7)	(1.1)
	5.4	(1.3)	(7.0)	(6.7)	(4.5)	(3.7)	(1.1)
<b>2015</b>							
<b>Financial assets</b>							
Gross settled derivatives:							
Receive leg	5.4	2.3	62.2	3.8	3.8	54.6	-
Pay leg		-	(60.1)	(3.9)	(3.9)	(52.3)	-
<b>Financial liabilities</b>							
Net settled derivatives	5.4	(17.0)	(17.5)	(7.1)	(6.3)	(2.6)	(1.5)
	5.4	(14.7)	(15.4)	(7.2)	(6.4)	(0.3)	(1.5)

Under the Group's International Swaps and Derivatives Association Master Agreement ('ISDA'), the interest rate swaps are settled on a net basis.

## Notes to the Financial Statements Year ended 30 June 2016 *continued*

### 5.5 Financial risk management *continued*

#### 5.5.2 Market risk (price risk)

##### 5.5.2.1 Interest rate risk

The Group has both interest bearing assets and interest bearing liabilities. Floating rate borrowings expose the Group to cash flow interest rate risk and fixed rate borrowings expose the Group to fair value interest rate risk.

The Group has a conservative treasury risk management strategy and the Group's interest rates are fixed using both swaps and fixed rate debt instruments. The Group's policy target is for 0-40% of average borrowings over the three-year plan period to be at fixed rates of interest. Due to the seasonality of the Group's funding requirements, 108.6% (2015: 105.4%) of the Group's gross borrowings were fixed as at 30 June 2016 and the average over the three-year plan period is 42.4% (2015: 43.2%). Group interest rates are fixed using both swaps and fixed rate debt instruments.

The exposure of the Group's financial liabilities to interest rate risk is as follows:

Group	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Non-interest bearing financial liabilities £m	Total £m
<b>2016</b>				
Financial liabilities (excluding derivatives)	112.8	64.7	1,870.2	2,047.7
Impact of interest rate swaps	(137.0)	137.0	-	-
<b>Financial liability exposure to interest rate risk</b>	<b>(24.2)</b>	<b>201.7</b>	<b>1,870.2</b>	<b>2,047.7</b>
<b>2015</b>				
Financial liabilities (excluding derivatives)	115.1	61.4	1,707.8	1,884.3
Impact of interest rate swaps	(137.0)	137.0	-	-
<b>Financial liability exposure to interest rate risk</b>	<b>(21.9)</b>	<b>198.4</b>	<b>1,707.8</b>	<b>1,884.3</b>

The exposure of the Company's financial liabilities to interest rate risk is as follows:

Company	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Non-interest bearing financial liabilities £m	Total £m
<b>2016</b>				
Financial liabilities (excluding derivatives)	133.5	59.6	16.7	209.8
Impact of interest rate swaps	(137.0)	137.0	-	-
<b>Financial liability exposure to interest rate risk</b>	<b>(3.5)</b>	<b>196.6</b>	<b>16.7</b>	<b>209.8</b>
<b>2015</b>				
Financial liabilities (excluding derivatives)	169.7	50.4	14.4	234.5
Impact of interest rate swaps	(137.0)	137.0	-	-
<b>Financial liability exposure to interest rate risk</b>	<b>32.7</b>	<b>187.4</b>	<b>14.4</b>	<b>234.5</b>

Floating interest rates on Sterling borrowings are linked to the UK bank rate, LIBOR and money market rates. The floating rates are fixed in advance for periods generally ranging from one to six months. Short term flexibility is achieved through the use of overdraft, committed and uncommitted bank facilities. The weighted average interest rate for floating rate borrowings in 2016 was 3.6% (2015: 3.1%).

US Dollar denominated private placement notes of £59.6m (2015: £50.4m) were arranged at fixed interest rates and exposed the Group to fair value interest rate risk. The weighted average interest rate for fixed rate US Dollar denominated private placement notes, after the effect of foreign exchange rate swaps, for 2016 was 8.2% (2015: 8.1%) with, at 30 June 2016, a weighted average period of 1.2 years (2015: 2.2 years) for which the rate is fixed.

Sensitivity analysis:

In the year ended 30 June 2016, if UK interest rates had been 50 basis points higher/lower, as this is a reasonably possible change, and all other variables were held constant, the Group's pre-tax profit would decrease/increase by £0.1m (2015: £0.9m), the Group's post-tax profit would decrease/increase by £nil (2015: £0.6m) and the Group's equity would decrease/increase by £nil (2015: £0.6m).

##### 5.5.2.2 Foreign exchange rate risk

As at 30 June 2016, the Group had fixed rate US Dollar denominated private placement notes of \$80.0m (2015: \$80.0m). In order to mitigate risks associated with the movement in the foreign exchange rate the Group has entered into foreign exchange swap arrangements all of which are designated as cash flow hedges, which fully hedge the principal of its US Dollar denominated debt and the US Dollar interest payments.

Details of the Group's foreign exchange swaps are provided in note 5.4.2.

##### 5.5.3 Credit risk

In the majority of cases, the Group receives cash upon legal completion for private sales and receives advance stage payments from registered providers for affordable housing. The Group and Company have an investment of £23.1m (2015: £25.6m) in a joint venture that holds available for sale financial assets, which exposes the joint venture to credit risk, although this is spread over a large number of properties. Included within trade and other receivables £48.8m (2015: £45.9m) is due from the Homes and Communities Agency in respect of the Help to Buy scheme. Since this receivable is due from a UK Government agency, the Group considers that this receivable has an insignificant risk of default. Other than this, neither the Group nor the Company have a significant concentration of credit risk, as their exposure is spread over a large number of counterparties and customers.

## 5.5 Financial risk management *continued*

### 5.5.3 Credit risk *continued*

The Group manages credit risk in the following ways:

- > The Group has a credit policy that is limited to financial institutions with high credit ratings, as set by international credit rating agencies, and has a policy determining the maximum permissible exposure to any single counterparty.
- > The Group only contracts derivative financial instruments with counterparties with which the Group has an ISDA Master Agreement in place. These agreements permit net settlement, thereby reducing the Group's credit exposure to individual counterparties.

The maximum exposure to any counterparty at 30 June 2016 was £144.4m (2015: £64.4m) of cash on deposit with a financial institution. The carrying amount of financial assets recorded in the Financial Statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk.

As at 30 June 2016, the Company was exposed to £75.9m (2015: £695.6m) of credit risk in relation to intercompany loans, as well as financial guarantees, performance bonds and the bank borrowings of subsidiary undertakings. The Company was also exposed to credit risk through its joint venture as explained on page 144. Further details are provided in notes 7.2 and 7.3.

### 5.5.4 Capital risk management (cash flow risk)

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and meet its liabilities as they fall due whilst maintaining an appropriate capital structure.

The Group manages its share capital as equity, as set out in the Statement of Changes in Shareholders' Equity; and its bank borrowings (being overdrafts, loan notes and bank loans) and its private placement notes as other financial liabilities, as set out in note 5.3.

The Group is subject to the prevailing conditions of the UK economy and the quantum of the Group's earnings are dependent upon the level of UK house prices. UK house prices are determined by the UK economy and economic conditions including employment levels, interest rates, consumer confidence, mortgage availability and competitor pricing. The management of these operational risks is set out in the principal risks and uncertainties on pages 42 to 45.

In addition, the other methods by which the Group can manage its short term and long term capital structure include: adjusting the level of dividends and special cash payments paid to shareholders (assuming the Company is paying a dividend or a special cash payment); issuing new share capital; arranging debt to meet liability payments; and selling assets to reduce debt.

## 5.6 Share capital

Graphic removed

**Equity instruments** – Ordinary share capital is recorded at the proceeds received, net of direct issue costs and is classified as equity.

### 5.6.1 Ordinary share capital

	2016 £m	2015 £m
<b>Allotted and issued ordinary shares</b>		
10p each fully paid: 1,003,607,066 ordinary shares (2015: 995,452,663)	<b>100.4</b>	99.5

	2016 number	2015 number
<b>Options over the Company's shares granted during the year</b>		
<b>Options granted:</b>		
Long Term Performance Plan	<b>1,880,862</b>	2,176,347
Savings-Related Share Option Scheme	<b>1,782,338</b>	2,542,574
CFO Scheme	<b>121,880</b>	-
Deferred Bonus Plan	<b>305,468</b>	813,663
Senior Management Incentive Scheme	-	639,148
	<b>4,090,548</b>	6,171,732

	2016 number	2015 number
<b>Allotment of shares during the year</b>		
At 1 July	<b>995,452,663</b>	984,983,475
Issued to satisfy early exercises under Sharesave schemes	<b>106,614</b>	218,051
Issued to satisfy exercises under matured Sharesave schemes	<b>1,968,683</b>	3,622,372
Issued to satisfy vesting of LTPP awards	<b>4,620,159</b>	6,590,688
Issued to satisfy exercises under the Deferred Bonus Plan	<b>1,458,947</b>	38,077
	<b>1,003,607,066</b>	995,452,663

## Notes to the Financial Statements Year ended 30 June 2016 *continued*

### 5.6 Share capital *continued*

#### 5.6.2 Own shares reserve

The own shares reserve represents the cost of shares in Barratt Developments PLC purchased in the market and held by the Barratt Developments PLC Employee Benefit Trust (the 'EBT') on behalf of the Company in order to satisfy options and awards that have been granted under the Barratt Developments PLC Executive and Employee Share Option Plans, Long Term Performance Plans and Deferred Bonus Plans. These ordinary shares do not rank for dividend and do not count in the calculation of the weighted average number of shares used to calculate earnings per share until such time as they are vested to the relevant employee.

	2016	2015
Ordinary shares in the Company held in the EBT (number)	1,367,707	1,860,071
Market value of shares held in the EBT at 405.4p (2015: 614.5p) per share	£5,544,694	£11,430,136

During the year the EBT purchased 150,000 shares and disposed of 642,364 shares in settlement of exercises under the Senior Management Share Option Plan 2009/10 and the Senior Management Incentive Scheme.

### Section

6

### Directors and employees

#### 6.1 Key management and employees

Key management personnel, as defined under IAS 24 'Related Party Disclosures', have been identified as the Board of Directors, as the controls operated by the Group ensure that all key decisions are reserved for the Board. Detailed disclosures of Directors' individual remuneration, pension entitlements and share options, for those Directors who served during the year, are given in the audited sections of the Remuneration Report on pages 76 to 97, which form part of these Financial Statements.

A summary of key management remuneration is as follows:

	2016 £m	2015 £m
Salaries and fees (including pension compensation)	2.7	2.6
Social security costs <sup>1</sup>	1.2	2.8
Performance bonus	2.2	2.3
Benefits	0.1	0.1
Share-based payments <sup>2</sup>	3.4	3.4
	9.6	11.2

1 Excluded from the Executive Directors and Non-Executive Directors single figure of remuneration tables on page 86.

2 IFRS 2 'Share-Based Payment' charge attributable to key management.

## 6.1 Key management and employees *continued*

Total staff numbers and costs are as follows:

	Group	
	2016 Number	2015 Number
<b>Average staff numbers (excluding sub-contractors, including Directors):</b>		
Housebuilding	6,106	5,952
Commercial developments	25	25

	Notes	Group		Company	
		2016 £m	2015 £m	2016 £m	2015 £m
<b>Staff costs (including Directors):</b>					
Wages and salaries including bonuses		306.6	289.0	7.9	7.1
Redundancy costs		1.1	1.7	0.1	-
Social security costs		40.9	42.6	3.8	2.6
Other pension costs	6.2	8.4	8.1	0.1	0.1
Share-based payments	6.3	12.8	11.6	3.4	3.4
<b>Total staff costs</b>	2.3	<b>369.8</b>	<b>353.0</b>	<b>15.3</b>	<b>13.2</b>

Staff costs for the Company in both years are stated after the recharge of staff to other Group companies.

## 6.2 Retirement benefit obligations

The Group operates defined contribution and defined benefit pension schemes.

Graphic removed

**Defined contribution schemes** – The Group's contributions to the schemes are charged in the Income Statement in the year in which the contributions fall due.

Graphic removed

**Defined benefit scheme** – The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in the Statements of Comprehensive Income. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

Past service cost, until the scheme ceased to offer future accrual of defined benefit pensions to employees from 30 June 2009, was recognised immediately to the extent that the benefits were already vested, and otherwise was amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of the scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

Graphic removed

**Defined benefit pension scheme** – The Directors engage a qualified independent actuary to calculate the Group's asset in respect of its defined benefit pension scheme. In calculating this asset, it is necessary for actuarial assumptions to be made, which include discount rates, salary and pension increases, price inflation, the long term rate of return upon scheme assets and mortality. As actual rates of increase and mortality may differ from those assumed, the pension asset may differ from that included in these Financial Statements.

## Notes to the Financial Statements Year ended 30 June 2016 *continued*

### 6.2 Retirement benefit obligations *continued*

#### 6.2.1 Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees, under which it pays contributions to an independently administered fund. Contributions are based upon a fixed percentage of the employee's pay and once these have been paid, the Group has no further obligations under these schemes.

	2016 £m	2015 £m
<b>Contributions during the year</b>		
Group defined contribution schemes Consolidated Income Statement charge	8.4	8.1

At the balance sheet date, there were outstanding contributions of £0.6m (2015: £0.9m), which were paid on or before the due date.

#### 6.2.2 Defined benefit scheme

The Group operates a funded defined benefit pension scheme in Great Britain, the Barratt Group Pension & Life Assurance Scheme (the 'Scheme'), which, with effect from 30 June 2009, ceased to offer future accrual of defined benefit pensions. Alternative defined contribution pension arrangements are in place for current employees.

The Scheme provides benefits to members based on their length of service and their salary in the final years leading up to retirement or date of ceasing active accrual if earlier. The Group operates the Scheme under the UK regulatory framework, with a legally separate fund that is Trustee administered. The Trustees are responsible for ensuring that the Scheme is sufficiently funded to meet current and future benefit payments and for the investment policy with regard to scheme assets.

The Trustees must agree a funding plan with the Group such that any funding shortfall is expected to be met by additional contributions and investment performance. In order to assess the level of contributions, triennial valuations are carried out using prudent assumptions.

The most recent full actuarial valuation of the Scheme was carried out at 30 November 2013. The results of this valuation have been updated to 30 June 2016 by a qualified independent actuary. The Group agreed with the Trustees of the Scheme to make contributions to the Scheme of £13.3m per annum until 30 November 2015 and then £9.5m per annum until 31 December 2016 to address the Scheme's actuarial deficit. The Group also continues to meet the Scheme's administration expenses and Pension Protection Fund levy.

At the balance sheet date, there were outstanding contributions of £0.8m (2015: £1.1m).

The Scheme exposes the Group to a number of risks, the most significant being:

Risk	Description
Volatile asset returns	The defined benefit obligation ('DBO') is calculated using a discount rate set with reference to high quality corporate bond yields. If assets underperform this discount rate, this will create a plan deficit. The Scheme holds a proportion of its assets in equities and other growth assets which are expected to outperform corporate bonds in the long term. However, returns are likely to be volatile in the short term, potentially resulting in short term cash requirements and an increase in the defined benefit obligation recorded on the Balance Sheet. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long term objectives.
Changes in bond yields	A decrease in corporate bond yields will increase the funding and accounting liabilities, although this will be partially offset by an increase in the value of the Scheme's investments in corporate and government bonds.
Inflation risk	A significant proportion of the DBO is indexed in line with price inflation, with higher inflation leading to higher liabilities.
Life expectancy	The majority of the Scheme's obligations are to provide a pension for the life of each of the members, so increases in life expectancy will result in an increase in the liabilities.

## 6.2 Retirement benefit obligations *continued*

### 6.2.2 Defined benefit scheme *continued*

For the purposes of calculating the accounting costs and obligations of the Scheme, the assets of the defined benefit scheme have been calculated at fair (bid) value. The liabilities of the Scheme have been calculated at each balance sheet date using the following assumptions:

Principal actuarial assumptions	2016	2015
<b>Weighted average assumptions to determine benefit obligations</b>		
Discount rate	2.90%	3.80%
Rate of price inflation	2.80%	3.30%
<b>Weighted average assumptions to determine net cost</b>		
Discount rate	3.80%	4.30%
Rate of price inflation	3.30%	3.30%

Members are assumed to exchange 19% of their pension for cash on retirement. The assumptions have been chosen by the Group following advice from Mercer Limited, the Group's actuarial advisers.

The following table illustrates the life expectancy for an average member on reaching age 65, according to the mortality assumptions used to calculate the Scheme liabilities:

Assumptions	Male	Female
Retired member born in 1951 (life expectancy at age 65)	23.4 years	25.9 years
Non-retired member born in 1971 (life expectancy at age 65)	25.2 years	27.9 years

The base mortality assumptions are based upon the SINA mortality tables with an adjustment to allow for the Scheme members being 1.5 years younger than the population of the SINA mortality tables. Allowance for future increases in life expectancy is made in line with the CMI 2014 projections with a long term trend of 1.25% per annum (2015: 1.25% per annum).

The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out below:

Assumptions	Change in assumption	£m	Increase in Scheme liabilities %
Discount rate	Decrease by 0.1%	8.5	2.1
Rate of inflation	Increase by 0.1%	4.6	1.1
Life expectancy	Increase by 1 year	15.3	3.8

The amounts recognised in the Consolidated Income Statement were as follows:

	2016 £m	2015 £m
Interest cost	13.6	13.9
Interest income	(14.0)	(14.3)
<b>Total pension income recognised in net finance costs in the Consolidated Income Statement</b>	<b>(0.4)</b>	<b>(0.4)</b>
<b>Total pension income recognised in the Consolidated Income Statement</b>	<b>(0.4)</b>	<b>(0.4)</b>

The amounts recognised in the Group and Company Statements of Comprehensive Income were as follows:

	2016 £m	2015 £m
Expected return less actual return on Scheme assets	(34.9)	(25.1)
Loss arising from changes in the assumptions underlying the present value of benefit obligations	43.9	36.6
<b>Total pension cost recognised in the Group and Company Statements of Comprehensive Income</b>	<b>9.0</b>	<b>11.5</b>

The amount included in the Group and Company Balance Sheets arising from obligations in respect of the Scheme is as follows:

	2016 £m	2015 £m
Present value of funded obligations	405.4	367.5
Fair value of Scheme assets	(413.5)	(372.8)
<b>Surplus for funded Scheme/net asset recognised in the Group and Company Balance Sheets at 30 June</b>	<b>(8.1)</b>	<b>(5.3)</b>

	2016 £m	2015 £m
Net asset for defined benefit obligations at 1 July	(5.3)	(3.1)
Contributions paid to the Scheme	(11.4)	(13.3)
Income recognised in the Consolidated Income Statement (note 5.2)	(0.4)	(0.4)
Amounts recognised in the Group and Company Statements of Comprehensive Income	9.0	11.5
<b>Net asset for defined benefit obligations at 30 June</b>	<b>(8.1)</b>	<b>(5.3)</b>

A deferred tax liability of £1.6m (2015: £1.1m) has been recognised in the Group and Company Balance Sheets in relation to the pension asset (note 2.6.3).

## Notes to the Financial Statements Year ended 30 June 2016 *continued*

### 6.2 Retirement benefit obligations *continued*

#### 6.2.2 Defined benefit scheme *continued*

Movements in the present value of defined benefit obligations were as follows:

	2016 £m	2015 £m
Present value of benefit obligations at 1 July	367.5	327.0
Interest cost	13.6	13.9
Actuarial loss	43.9	36.6
Benefits paid from Scheme	(19.6)	(10.0)
<b>Present value of benefit obligations at 30 June</b>	<b>405.4</b>	<b>367.5</b>

Movements in the fair value of Scheme assets were as follows:

	2016 £m	2015 £m
Fair value of Scheme assets at 1 July	372.8	330.1
Interest income	14.0	14.3
Actuarial gain on Scheme assets	34.9	25.1
Employer contributions	11.4	13.3
Benefits paid from Scheme	(19.6)	(10.0)
<b>Fair value of Scheme assets at 30 June</b>	<b>413.5</b>	<b>372.8</b>

The analysis of Scheme assets was as follows:

	2016		2015	
	£m	%	£m	%
Quoted equity securities	96.3	23.3	91.8	24.6
Debt securities	315.8	76.4	279.7	75.0
Other	1.4	0.3	1.3	0.4
<b>Total</b>	<b>413.5</b>	<b>100.0</b>	<b>372.8</b>	<b>100.0</b>

The actual return on Scheme assets was as follows:

	2016 £m	2015 £m
<b>Actual return on Scheme assets</b>	<b>48.9</b>	<b>39.4</b>

The expected employer contribution to the Scheme in the year ending 30 June 2017 is £9.5m.

The Group has obtained legal advice on the rights to the Group's defined benefit pension scheme's assets after the death of the last member. Based on this advice, the Group has concluded that it is appropriate to recognise an asset related to this scheme.

### 6.3 Share-based payments

The Group issues equity-settled share-based payments to certain employees.

Graphic removed

**Share-based payments** – In accordance with the transitional provisions, IFRS 2 'Share-based Payments' has been applied to all grants of equity instruments after 7 November 2002 that had not vested at 1 January 2005.

Equity-settled share-based payments are measured at the fair value of the equity instrument at the date of grant. Fair value is measured either using Black-Scholes, Present-Economic Value or Monte Carlo models depending on the characteristics of the scheme. The fair value is expensed in the Income Statement on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest where non-market vesting conditions apply. Non-vesting conditions are taken into account in the estimate of the fair value of the equity instruments.

Analysis of the Consolidated Income Statement charge:

	2016 £m	2015 £m
<b>Equity-settled share-based payments:</b>		
Long Term Performance Plan	7.2	6.9
Savings-Related Share Option Scheme	2.1	1.3
Senior Management Incentive Scheme	1.2	1.2
CFO Scheme	0.2	-
Deferred Bonus Plan	2.1	2.2
	<b>12.8</b>	<b>11.6</b>

As at 30 June 2016, an accrual of £3.3m (2015: £7.7m) was recognised in respect of social security liabilities on share-based payments.

#### 6.3.1 Share-based payments reserve

The share-based payments reserve represents the obligation of the Group in relation to equity-settled share-based payment transactions. Details of movements in the share-based payments reserve are shown on the Statement of Changes in Shareholders' Equity.

### 6.3 Share-based payments *continued*

#### 6.3.2 Outstanding equity-settled share-based payments

At 30 June 2016, the following options were outstanding:

Date of grant	Option price pence	2016 Number	Not exercisable after
<b>Executive Share Option Scheme</b>			
10 December 2009 (approved <sup>1</sup> )	118	8,350	9 December 2019
10 December 2009 (unapproved <sup>1</sup> )	121	443,132	9 December 2019
<b>Total Executive Share Option Scheme options</b>		<b>451,482</b>	
<b>Senior Management Share Option Plan</b>			
10 December 2009 (approved <sup>1</sup> )	118	281,229	9 December 2019
10 December 2009 (unapproved <sup>1</sup> )	121	77,701	9 December 2019
<b>Total Senior Management Share Option Plan options</b>		<b>358,930</b>	
<b>Savings-Related Share Option Scheme</b>			
28 March 2012 – 5 year plan	125	1,350,144	30 November 2017
27 March 2013 – 3 year plan	205	420,118	30 November 2016
27 March 2013 – 5 year plan	205	266,535	30 November 2018
30 April 2014 – 3 year plan	349	2,300,296	31 December 2017
30 April 2014 – 5 year plan	349	361,814	31 December 2019
29 April 2015 – 3 year plan	447	1,992,909	31 December 2018
29 April 2015 – 5 year plan	447	209,954	31 December 2020
27 April 2016 – 3 year plan	482	1,624,859	31 December 2019
27 April 2016 – 5 year plan	482	146,652	31 December 2021
<b>Total Savings-Related Share Option Scheme options</b>		<b>8,673,281</b>	
<b>CFO Scheme</b>			
21 December 2015	10	45,705	-
21 December 2015	10	76,175	-
<b>Total CFO Scheme options</b>		<b>121,880</b>	

<sup>1</sup> The Executive Share Option Scheme and the Senior Management Share Option Plan are divided into two sub-schemes, one of which is approved under the Income Tax (Earnings and Pensions) Act 2003 and the other which is not, and the exercise price is calculated differently for each sub-scheme in accordance with the rules of the sub-scheme.

Date of grant	Option price pence	2016 Number	Not exercisable after
<b>Long Term Performance Plan</b>			
23 October 2013 – Executive	-	2,316,020	-
20 October 2014 – Executive	-	1,904,899	-
19 October 2015 – Executive	-	1,073,799	-
21 December 2015 – Executive	-	122,440	-
19 October 2015 – Senior Management	-	633,081	-
<b>Total Long Term Performance Plan awards</b>		<b>6,050,239</b>	
<b>Deferred Bonus Plan<sup>2</sup></b>			
2 October 2013	-	636,651	-
23 October 2013	-	688,297	-
9 October 2014	-	688,297	-
19 October 2015	-	305,468	-
<b>Total Co-Investment Plan awards</b>		<b>1,630,416</b>	
<b>Senior Management Incentive Scheme</b>			
23 October 2013	-	554,761	-
20 October 2014	-	544,388	-
<b>Total Senior Management Incentive Scheme awards</b>		<b>1,099,149</b>	
<b>Total</b>		<b>18,385,377</b>	

<sup>2</sup> For awards prior to November 2015, the Deferred Bonus Plan utilises the rules of the Group's Co-Investment Plan. For more information see page 81.

## Notes to the Financial Statements Year ended 30 June 2016 *continued*

### 6.3 Share-based payments *continued*

#### 6.3.3 Further information relating to the share-based payment schemes

##### Long Term Performance Plan ('LTPP') and the Executive Share Option Scheme ('ESOS')

The grant of awards under the LTPP and options under the ESOS are at the discretion of the Remuneration Committee taking into account individual performance and overall performance of the Group. Vesting under these schemes is dependent upon performance conditions based on total shareholder return, earnings per share and, for recent LTPP awards, return on capital employed. Further details can be found in the Remuneration report on pages 76 to 97.

##### Deferred Bonus Plan ('DBP')

For any bonus deferred prior to November 2015, the Remuneration Committee utilised the rules of the Group's Co-Investment Plan ('CIP') for the purposes of the DBP. From FY16, deferred shares will be held in accordance with the DBP as approved by the shareholders at the 2015 AGM. The Deferred Bonus Plan is currently utilised to hold shares awarded in respect of any bonus earned in excess of 100% of base salary. The Executive Directors also have the opportunity to voluntarily defer additional amounts of annual bonus up to a maximum of 25% of basic salary. The Remuneration Committee has the discretion to award matching shares against the deferred shares; however, no matching shares have been awarded to date. Further details are on page 81.

##### Savings-Related Share Option Scheme ('Sharesave')

Under the Sharesave, participants are required to make monthly contributions to a HM Revenue and Customs ('HMRC') approved savings contract with a bank or building society for a period of three or five years. On entering into the savings contract, participants are granted an option to acquire ordinary shares in the Company at an exercise price determined under the rules of the Sharesave. The Sharesave is open to all eligible employees as determined by the Board and is not subject to the satisfaction of any performance conditions.

##### Senior Management Share Option Plan ('SMSOP')

The Board approved the grant of share options to employees under the SMSOP, which are normally exercisable between three and ten years from the date of grant, provided the employee remains employed by the Group. The 2009/10 SMSOP vested on 10 December 2012. Individuals who participate in the SMSOP are not eligible to participate in the LTPP or ESOS; therefore Executive Directors do not participate in the SMSOP. There is currently no intention to make any further grants under the SMSOP.

##### Senior Management Incentive Scheme ('SMIS')

Awards under the SMIS are at the discretion of the Chief Executive (or in his absence, the Chairman of the Board). Any awards under the SMIS must be held for a minimum of three years from the date of grant. Executive Directors and those individuals directly below this level are not eligible to participate in the SMIS. Any award granted under the SMIS is subject to performance conditions as set for the LTPP, excluding the total shareholder return condition, granted in the same financial year.

### CFO Scheme

The Company granted to Neil Cooper awards on joining the Company which were designed in quantum to compensate for awards which were forfeited by him on leaving his previous employment. They were structured to approximately mirror the vesting timescales and performance conditions of the Company's LTPP awards made in 2013 and 2014, so his incentives are aligned with those of other Executives. Further details can be found in the Remuneration report on pages 88 to 89.

#### 6.3.4 Number and weighted average exercise price of outstanding share-based payments

The number and weighted average exercise prices of options and awards made under the Group's share option schemes were as follows:

	2016		2015	
	Weighted average exercise price in pence	Number of award units	Weighted average exercise price in pence	Number of award units
<b>Long Term Performance Plan</b>				
Outstanding at 1 July	-	9,203,809	-	13,906,376
Forfeited during the year	-	(414,273)	-	(288,226)
Exercised during the year	-	(4,620,159)	-	(6,590,688)
Granted during the year	-	1,880,862	-	2,176,347
<b>Outstanding at 30 June</b>	-	<b>6,050,239</b>	-	<b>9,203,809</b>
<b>Exercisable at 30 June</b>	-	-	-	-

	2016		2015	
	Weighted average exercise price in pence	Number of options	Weighted average exercise price in pence	Number of options
<b>Executive Share Option Scheme</b>				
Outstanding at 1 July	121	451,482	121	1,392,327
Exercised during the year	-	-	121	(940,845)
<b>Outstanding at 30 June</b>	<b>121</b>	<b>451,482</b>	<b>121</b>	<b>451,482</b>
<b>Exercisable at 30 June</b>	<b>121</b>	<b>451,482</b>	<b>121</b>	<b>451,482</b>

### 6.3 Share-based payments *continued*

#### 6.3.4 Number and weighted average exercise price of outstanding share-based payments *continued*

	2016		2015	
	Weighted average exercise price in pence	Number of options	Weighted average exercise price in pence	Number of options
<b>Senior Management Share Option Plan</b>				
Outstanding at 1 July	119	583,639	119	1,358,461
Exercised during the year	119	(224,709)	119	(774,822)
Outstanding at 30 June	119	358,930	119	583,639
Exercisable at 30 June	119	358,930	119	583,639

	2016		2015	
	Weighted average exercise price in pence	Number of options	Weighted average exercise price in pence	Number of options
<b>Savings-Related Share Option Scheme</b>				
Outstanding at 1 July	294	9,772,530	203	11,956,053
Forfeited during the year	358	(806,290)	243	(885,674)
Granted during the year	482	1,782,338	447	2,542,574
Exercised during the year	177	(2,075,297)	124	(3,840,423)
Outstanding at 30 June	355	8,673,281	294	9,772,530
Exercisable at 30 June	205	420,188	125	715,852

	2016		2015	
	Weighted average exercise price in pence	Number of award units	Weighted average exercise price in pence	Number of award units
<b>Deferred Bonus Plan</b>				
Outstanding at 1 July	-	2,844,708	-	2,192,596
Forfeited during the year	-	(62,572)	-	-
Exercised during the year	-	(1,457,188)	-	(161,551)
Granted during the year	-	305,468	-	813,663
Outstanding at 30 June	-	1,630,416	-	2,844,708
Exercisable at 30 June	-	-	-	-

	2016		2015	
	Weighted average exercise price in pence	Number of award units	Weighted average exercise price in pence	Number of award units
<b>Senior Management Incentive Scheme</b>				
Outstanding at 1 July	-	1,672,540	-	1,187,512
Forfeited during the year	-	(141,818)	-	(154,120)
Exercised during the year	-	(431,573)	-	-
Granted during the year	-	-	-	639,148
Outstanding at 30 June	-	1,099,149	-	1,672,540
Exercisable at 30 June	-	-	-	-

	2016		2015	
	Weighted average exercise price in pence	Number of award units	Weighted average exercise price in pence	Number of award units
<b>CFD Scheme</b>				
Outstanding at 1 July	-	-	-	-
Granted during the year	10	121,880	-	-
Outstanding at 30 June	10	121,880	-	-
Exercisable at 30 June	-	-	-	-

The weighted average share price, at the date of exercise, of share options exercised during the year was 607.6p (2015: 478.4p). The weighted average life for all schemes outstanding at the end of the year was 1.8 years (2015: 1.8 years).

#### 6.3.5 Fair value of options and awards granted in the year

##### Savings-Related Share Option Scheme

The weighted average fair value of the options granted during 2016 was 106.7p (2015: 119.8p) per award. The awards have been valued using a Black-Scholes model.

##### Long Term Performance Plan

The weighted average fair value of the options granted during 2016 was 538.9p (2015: 357.8p). The awards have been valued using a Black-Scholes model for the earnings per share element of the scheme and a Monte Carlo model for the total shareholder return element of the scheme.

Notes to the Financial Statements Year ended 30 June 2016 *continued***6.3 Share-based payments** *continued***6.3.5 Fair value of options and awards granted in the year** *continued***Deferred Bonus Plan**

The weighted average fair value of the options granted during 2016 was 540.2p (2015: 323.0p) per award. The awards have been valued using a Black-Scholes model.

**CF0 Scheme**

The weighted average fair value of the options granted during 2016 was 550.9p per award. The awards have been valued using a Black-Scholes model for the earnings per share element of the scheme and a Monte Carlo model for the total shareholder return element of the scheme.

**Inputs used to determine fair value of options**

The weighted average inputs to the Black-Scholes and Monte Carlo models were as follows:

	Grants 2016				Grants 2015			
	Sharesave	LTPP	CFOS	DBP	Sharesave	LTPP	SMIS	DBP
Average share price	544p	630p	605p	632p	536p	411p	411p	370p
Average exercise price	482p	nil	10p	nil	447p	nil	nil	nil
Expected volatility	33.5%	33.5%	33.5%	33.5%	33.5%	33.5%	33.5%	33.5%
Expected life	3.0 years	3.0 years	1.4 years	3.0 years	3.2 years	3.0 years	3.0 years	3.0 years
Risk free interest rate	1.10%	1.09%	1.09%	1.09%	0.70%	0.93%	0.93%	0.93%
Expected dividends	5.17%	5.17%	5.17%	5.17%	4.51%	4.51%	4.51%	4.51%

Expected volatility was determined by reference to the historical volatility of the Group's share price over a period consistent with the expected life of the options. The expected life used in the models has been adjusted, based on the Directors' best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

## Section

7

## Commitments, contingencies and related parties

**7.1 Operating lease obligations****7.1.1 The Group as lessee**

At 30 June 2016, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016		2015	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Within one year	16.4	7.1	15.0	7.4
More than one year and no later than five years	23.2	7.5	22.1	8.9
In five years or more	27.4	-	27.0	0.2
	<b>67.0</b>	<b>14.6</b>	<b>64.1</b>	<b>16.5</b>

Operating lease payments represent rentals payable by the Group for certain office properties and motor vehicles. Motor vehicle leases have an average term of 1.8 years (2015: 2.2 years) to expiry. Property leases have an average term of 3.2 years (2015: 1.6 years) to expiry.

At 30 June 2016, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016		2015	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Within one year	0.6	0.7	0.7	0.5
More than one year and no later than five years	0.1	0.9	0.7	0.5
	<b>0.7</b>	<b>1.6</b>	<b>1.4</b>	<b>1.0</b>

Operating lease payments represent rentals payable by the Company for certain office properties and motor vehicles. Motor vehicle leases have an average term of 1.6 years (2015: 2.0 years) to expiry. Property leases have an average term of 1.2 years (2015: 1.8 years) to expiry.

## 7.1 Operating lease obligations *continued*

### 7.1.2 The Group as lessor

The Group has lease agreements with third parties for certain commercial properties, either in the process of development or which have been developed by the Group, and units on land to be subsequently developed for residential use. It is intended that the commercial properties, with their future rental income, will be sold to third parties in the normal course of business and therefore they are classified as work in progress until the date of sale.

	Notes	Group	
		2016 £m	2015 £m
Property rental income	2.3	0.9	1.0
<b>Carrying value of leased properties:</b>			
Stock properties		4.0	1.7
Land with rental units		0.7	0.7
		4.7	2.4
<b>Rent receivable during remaining lease period:</b>			
Within one year		0.6	1.0
More than one year and no later than five years		0.6	1.0
		1.2	2.0
		2016 Years	2015 Years
<b>Average lease term</b>		1.0	0.5

## 7.2 Contingent liabilities

### 7.2.1 Contingent liabilities related to subsidiaries

The Company has guaranteed certain bank borrowings of its subsidiary undertakings.

Certain subsidiary undertakings have commitments for the purchase of trading stock entered into in the normal course of business.

In the normal course of business, the Group has given counter-indemnities in respect of performance bonds and financial guarantees. Management estimate that the bonds and guarantees amount to £482.0m (2015: £588.6m), and confirm that at the date of these Financial Statements the possibility of cash outflow is considered minimal and no provision is required.

Following correspondence with an industry-wide final salary pension scheme, there is a risk of an obligation arising in respect of section 75 pension scheme funding for employees of a subsidiary who left the Group on disposal of their business and assets. No provision has been recognised in relation to this matter as it is not considered probable that this will result in an outflow of economic resources at present and the amount of any potential outflow cannot be reliably estimated.

### 7.2.2 Contingent liabilities related to joint ventures and associates

The Group has given counter-indemnities in respect of performance bonds and financial guarantees to its joint ventures totalling £56.5m at 30 June 2016 (2015: £39.8m). The Group has also provided principal guarantees of £9.0m (2015: £12.0m) and cost and interest overrun guarantees in relation to the borrowings of a number of the Group's London joint ventures. At 30 June 2016, no cost or interest overruns had been incurred (2015: £nil). The Group's maximum exposure under these cost and interest overrun guarantees is estimated at £17.7m as at 30 June 2016 (2015: £15.7m).

At 30 June 2016, the Group has an obligation to repay £0.9m (2015: £0.9m) of grant monies received by a joint venture upon certain future disposals of land.

The Group has also given a number of performance guarantees in respect of the obligations of its joint ventures, requiring the Group to complete development agreement contractual obligations in the event that the joint ventures do not perform as required under the terms of the related contracts.

There are no contingent liabilities in relation to associates at 30 June 2016.

### 7.2.3 Contingent liabilities related to legal claims

Provision is made for the Directors' best estimate of all known material legal claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made (other than for legal costs) where the Directors consider, based on such advice, that claims or actions are unlikely to succeed, or a sufficiently reliable estimate of the potential obligations cannot be made.

No contingent liability in respect of such claims has been recognised.

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## Notes to the Financial Statements Year ended 30 June 2016 *continued*

### 7.3 Related party transactions

#### 7.3.1 Remuneration of key personnel

Disclosures related to the remuneration of key personnel as defined in IAS 24 'Related Party Disclosures' are given in note 6.1. There is no difference between transactions with key management personnel of the Company and the Group.

#### 7.3.2 Transactions between the Company and its subsidiaries

The Company has entered into transactions with its subsidiary undertakings in respect of funding and Group services (which include management accounting and audit, sales and marketing, IT, company secretarial, architects and purchasing). Recharges are made to the subsidiaries based on utilisation of these services.

The amount outstanding to the Company from subsidiary undertakings at 30 June 2016 totalled £75.9m (2015: £695.6m).

During the year ended 30 June 2016, the Company made management and other charges to subsidiaries of £65.8m (2015: £63.3m) and received net interest on Group loans from subsidiaries of £33.4m (2015: £56.0m).

The Company and Group have entered into counter-indemnities in the normal course of business in respect of performance bonds.

#### 7.3.3 Transactions between the Group and its joint ventures

The Group has entered into transactions with its joint ventures in respect of development management/other services (with charges made based on the utilisation of these services) and funding. These transactions totalled £14.3m (2015: £11.1m) and £1.3m (2015: £2.2m) respectively. In addition, one of the Group's subsidiaries, BDW Trading Limited, contracts with a number of the Group's joint ventures to provide construction services.

During the year the Group received dividends totalling £28.1m (2015: £27.0m) from its joint ventures.

The amount of outstanding loans and interest due to the Group from its joint ventures at 30 June 2016 is disclosed in note 4.3.1. The amount of other outstanding payables to the Group from its joint ventures at 30 June 2016 totalled £0.4m (2015: £6.9m).

The amount of outstanding loans and other amounts due from the Group to its joint ventures totalled £47.6m (2015: £nil).

The Group's contingent liabilities relating to its joint ventures are disclosed in note 7.2.2.

#### 7.3.4 Transactions between the Group and its associates

The amount of outstanding loans due to the Group from its associates at 30 June 2016 was £nil (2015: £nil). There were no other amounts outstanding to the Group from its associates as at 30 June 2016.

The Group's contingent liabilities relating to its associates are disclosed in note 7.2.2.

#### 7.3.5 Property purchase by a Director of Barratt Developments PLC

The Board and certain members of Senior Management are related parties within the definition of IAS 24 (Revised) 'Related Party Disclosures' ('IAS 24') and the Board are related parties within the definition of Chapter 11 of the UK Listing Rules ('Chapter 11'). There is no difference between transactions with key personnel of the Company and transactions with key personnel of the Group.

The Group entered into the following transaction which, for the purposes of IAS 24 is considered to be a 'related party transaction'.

In August 2014, Mark Clare, at the time, Group Chief Executive, reserved a flat (including a car parking space) from Fulham Wharf LLP, a joint venture partnership between BDW Trading Limited (the Company's main trading subsidiary) and London and Quadrant Housing Trust (L&Q), at a purchase price of £1,692,350. This purchase was conducted at a fair and reasonable market price based on four independent market valuations and similar comparable transactions at that time. An amount of £2,500 was paid on reservation and a deposit of £166,735 was paid on 13 October 2014. The remaining balance was paid on completion on 17 June 2016 in accordance with the Group's normal terms of trading.

Fulham Wharf LLP is not controlled by and is not a 'subsidiary undertaking' of the Company.

On notification by Mark Clare of the above transaction, the Board sought advice from its legal advisers and corporate brokers in respect of the application of Chapter 11 and section 190 did not extend to LLPs and therefore the provisions of Chapter 11 and section 190 did not apply to this transaction. Consequently, no shareholder approval was required for this transaction.

In June 2016, David Thomas notified the Board of his and his connected person's intention to buy one property each at the BDW Trading Limited site at Cane Hill. These transactions have not impacted these Financial Statements and further information relating to this can be found on pages 99 and 100.

There have been no 'smaller related party transactions' as defined in Listing Rule 11.1.10R for the year ended 30 June 2016 or in the year ended 30 June 2015.

## 7.4 Group subsidiary undertakings

The entities listed below, and on the following pages, are subsidiaries of the Company or Group. All are incorporated in England & Wales or Scotland with the exception of SQ Holdings Limited which is incorporated in Guernsey. Unless otherwise stated, the results of these entities are consolidated within these financial statements.

Subsidiary	Class of share held	% of shares owned	Subsidiary	Class of share held	% of shares owned
Acre Developments Limited <sup>d</sup>	Ordinary	100%	Barratt East Midlands Limited	Ordinary	100%
Advance Housing Limited <sup>d</sup>	Ordinary	100%	Barratt East Scotland Limited <sup>d</sup>	Ordinary	100%
Ambrose Builders Limited <sup>d</sup>	Ordinary	100%	Barratt Eastern Counties Limited <sup>d</sup>	Ordinary	100%
Barratt Bristol Limited	Ordinary	100%	Barratt Edinburgh Limited <sup>d</sup>	Ordinary	100%
Barratt Central Limited	Ordinary	100%	Barratt Evolution Limited <sup>d</sup>	Ordinary	100%
Barratt Chester Limited <sup>d</sup>	Ordinary	100%	Barratt Falkirk Limited <sup>d</sup>	Ordinary	100%
Barratt Commercial Limited	Ordinary	100%	Barratt Leeds Limited	Ordinary	100%
Barratt Construction (Southern) Limited <sup>d</sup>	Ordinary	100%	Barratt London Horselerry Road Limited <sup>d</sup>	Ordinary	100%
Barratt Corporate Secretarial Services Limited	Ordinary	100%	Barratt London Investments Limited <sup>d</sup>	Ordinary	100%
Barratt Developments (International) Limited	Ordinary	100%	Barratt London Limited	Ordinary	100%
Barratt Dormant (Atlantic Quay) Limited <sup>d</sup>	Ordinary	100%	Barratt Manchester Limited	Ordinary	100%
Barratt Dormant (Blackpool) Limited <sup>d</sup>	Ordinary	100%	Barratt Newcastle Limited <sup>d</sup>	Ordinary	100%
Barratt Dormant (Capella) Limited <sup>d</sup>	Ordinary	100%	Barratt North London Limited	Ordinary	100%
Barratt Dormant (Cheadle Hulme) Limited <sup>d</sup>	Ordinary	100%	Barratt Northampton Limited	Ordinary	100%
Barratt Dormant (Hartow) Limited <sup>d</sup>	Ordinary	100%	Barratt Northern Limited	Ordinary	100%
Barratt Dormant (Riverside Exchange Sheffield C2) Limited <sup>d</sup>	Ordinary	100%	Barratt Norwich Limited <sup>d</sup>	Ordinary	100%
Barratt Dormant (Riverside Exchange Sheffield L/M) Limited <sup>d</sup>	Ordinary	100%	Barratt Pension Trustee Limited	Ordinary	100%
Barratt Dormant (Riverside Quarter) Limited <sup>d</sup>	Ordinary	100%	Barratt Poppleton Limited <sup>d</sup>	Ordinary	100%
Barratt Dormant (Riverside Sheffield Building C1) Limited <sup>d</sup>	Ordinary	100%	Barratt Preston Limited <sup>d</sup>	Ordinary	100%
Barratt Dormant (Rugby) Limited <sup>d</sup>	Ordinary	100%	Barratt Properties Limited <sup>d</sup>	Ordinary	100%
Barratt Dormant (Southampton) Limited <sup>d</sup>	Ordinary	100%	Barratt Residential Asset Management Limited <sup>d</sup>	Ordinary	100%
Barratt Dormant (Theford) Limited <sup>d</sup>	Ordinary	100%	Barratt Scottish Holdings Limited <sup>d</sup>	Ordinary	100%
Barratt Dormant (Tyers Bros. Oakham) Limited <sup>d</sup>	Ordinary	100%	Barratt South London Limited	Ordinary	100%
Barratt Dormant (Walton) Limited <sup>d</sup>	Ordinary	100%	Barratt South Wales Limited	Ordinary	100%
Barratt Dormant (WB Construction) Limited <sup>d</sup>	Ordinary	100%	Barratt South West Limited <sup>d</sup>	Ordinary	100%
Barratt Dormant (WB Developments) Limited <sup>d</sup>	Ordinary	100%	Barratt Southern Counties Limited	Ordinary	100%
Barratt Dormant (WB Properties Developments) Limited <sup>d</sup>	Ordinary	100%	Barratt Southern Limited	Ordinary	100%
Barratt Dormant (WB Properties Northern) Limited <sup>d</sup>	Ordinary	100%	Barratt Southern Properties Limited <sup>d</sup>	Ordinary	100%
Barratt East Anglia Limited <sup>d</sup>	Ordinary	100%	Barratt Special Projects Limited <sup>d</sup>	Ordinary	100%
			Barratt St Mary's Limited <sup>d</sup>	Ordinary	100%
			Barratt St Paul's Limited <sup>d</sup>	Ordinary	100%
			Barratt Sutton Coldfield Limited <sup>d</sup>	Ordinary	100%
			Barratt Trade And Property Company Limited <sup>d</sup>	Ordinary	100%
			Barratt Urban Construction (East London) Limited <sup>d</sup>	Ordinary	100%

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## Notes to the Financial Statements Year ended 30 June 2016 *continued*

### 7.4 Group subsidiary undertakings *continued*

Subsidiary	Class of share held	% of shares owned	Subsidiary	Class of share held	% of shares owned
Barratt Urban Construction (Northern) Limited <sup>1</sup>	Ordinary	100%	David Wilson Homes (Western) Limited <sup>1</sup>	Ordinary	100%
Barratt Urban Construction (Scotland) Limited <sup>1</sup>	Ordinary	100%	David Wilson Homes Land (No 9) Limited <sup>1</sup>	Ordinary	100%
Barratt West Midlands Limited	Ordinary	100%	David Wilson Homes Land (No 10) Limited <sup>1</sup>	Ordinary	100%
Barratt West Scotland Limited	Ordinary	100%	David Wilson Homes Land (No 11) Limited <sup>1</sup>	Ordinary	100%
Barratt Woking Limited <sup>1</sup>	Ordinary	100%	David Wilson Homes Land (No 12) Limited <sup>1</sup>	Ordinary	100%
Barratt York Limited	Ordinary	100%	David Wilson Homes Land (No 13) Limited <sup>1</sup>	Ordinary	100%
Bart 225 Limited <sup>1</sup>	Ordinary	100%	David Wilson Homes Land (No 14) Limited <sup>1</sup>	Ordinary	100%
Base Regeneration LLP <sup>1</sup>	N/A	N/A	David Wilson Homes Land (No 15) Limited <sup>1</sup>	Ordinary	100%
Base East Central Rochdale LLP <sup>1</sup>	N/A	N/A	David Wilson Homes Limited <sup>1</sup>	Ordinary	100%
Base Hattersley LLP <sup>1</sup>	N/A	N/A	David Wilson Homes Services Limited <sup>1</sup>	Ordinary	100%
Base Werneth Oldham LLP <sup>1</sup>	N/A	N/A	David Wilson Homes Yorkshire Limited <sup>1</sup>	Ordinary	100%
Basildon Regeneration (Barratt Wilson Bowden) Limited <sup>1</sup>	Ordinary	100%	Decorfresh Projects Limited <sup>1</sup>	Ordinary	100%
BDW (F.R.) Limited <sup>1</sup>	Ordinary	100%	Dicconson Holdings Limited <sup>1</sup>	Ordinary	100%
BDW (F.R. Commercial) Limited <sup>1</sup>	Ordinary	100%	E. Barker Limited <sup>1</sup>	Ordinary	100%
BDW Broadbridge Heath Limited <sup>1</sup>	Ordinary	100%	E. Geary & Son Limited <sup>1</sup>	Ordinary	100%
BDW North Scotland Limited	Ordinary	100%	English Oak Homes Limited	Ordinary	100%
BDW Trading Limited	Ordinary	100%	Francis (Springmeadows) Limited <sup>1</sup>	Ordinary	100%
Bradgate Development Services Limited <sup>1</sup>	Ordinary	100%	Frenchay Developments Limited <sup>1</sup>	Ordinary	100%
Broad Oak Homes Limited <sup>1</sup>	Ordinary	100%	G.D. Thorne (Construction) Limited <sup>1</sup>	Ordinary	100%
C V (Ward) Limited <sup>1</sup>	Ordinary	100%	G.D. Thorne (Holdings) Limited <sup>1</sup>	Ordinary	100%
Cameplot Limited <sup>1</sup>	Ordinary	100%	Glasgow Trust Limited <sup>1</sup>	Ordinary	100%
Cannon Wharf London LLP <sup>1</sup>	N/A	N/A	Hartswood House Limited	Ordinary	100%
CHOQS 429 Limited <sup>1</sup>	Ordinary	100%	Hawkstone (South West) Limited <sup>1</sup>	Ordinary	100%
Citystyle Limited	Ordinary	100%	Heartland Development Company Limited <sup>1</sup>	Ordinary	100%
Crossbourne Construction Limited <sup>1</sup>	Ordinary	100%	Idle Works Limited <sup>1</sup>	Ordinary	100%
David Wilson Estates Limited <sup>1</sup>	Ordinary	100%	J G Parker Limited <sup>1</sup>	Ordinary	100%
David Wilson Homes (Anglia) Limited <sup>1</sup>	Ordinary	100%	James Harrison (Contracts) Limited <sup>1</sup>	Ordinary	100%
David Wilson Homes (East Midlands) Limited <sup>1</sup>	Ordinary	100%	Janellis (No. 2) Limited <sup>1</sup>	Ordinary	100%
David Wilson Homes (Home Counties) Limited <sup>1</sup>	Ordinary	100%	Kealoha 11 Limited <sup>1</sup>	Ordinary	100%
David Wilson Homes (North Midlands) Limited <sup>1</sup>	Ordinary	100%	Kealoha Limited <sup>1</sup>	Ordinary	100%
David Wilson Homes (Northern) Limited <sup>1</sup>	Ordinary	100%	Kingsoak Homes Limited	Ordinary	100%
David Wilson Homes (South Midlands) Limited <sup>1</sup>	Ordinary	100%	Knightsdale Homes Limited	Ordinary	100%
David Wilson Homes (Southern) Limited <sup>1</sup>	Ordinary	100%	Lindmere Construction Limited <sup>1</sup>	Ordinary	100%

## 7.4 Group subsidiary undertakings *continued*

Subsidiary	Class of share held	% of shares owned	Subsidiary	Class of share held	% of shares owned
Marple Development Company Limited <sup>1</sup>	Ordinary	100%	Vizion (Milton Keynes) Limited <sup>1</sup>	Ordinary	100%
Meridian Press Limited <sup>1</sup>	Ordinary	100%	Vizion (Mk) Properties LLP <sup>1</sup>	N/A	N/A
Milton Park Homes Limited <sup>1</sup>	Ordinary	100%	VSM (Bentley Priory 1) Limited <sup>1</sup>	Ordinary	100%
Mountdale Homes Limited	Ordinary	100%	VSM (Bentley Priory 2) Limited <sup>1</sup>	Ordinary	100%
Norfolk Garden Estates Limited <sup>1</sup>	Ordinary	100%	VSM (Bentley Priory 3) Limited <sup>1</sup>	Ordinary	100%
North West Land Developments Limited <sup>1</sup>	Ordinary	100%	VSM (Bentley Priory 4) Limited <sup>1</sup>	Ordinary	100%
Redbourne Builders Limited <sup>1</sup>	Ordinary	100%	VSM (Bentley Priory 5) Limited <sup>1</sup>	Ordinary	100%
Roland Bardsley Homes Limited <sup>1</sup>	Ordinary	100%	VSM (Bentley Priory 6) Limited <sup>1</sup>	Ordinary	100%
Scotthomes Limited <sup>1</sup>	Ordinary	100%	Ward (Showhomes) Limited <sup>1</sup>	Ordinary	100%
Scottish Homes Investment Company Limited <sup>1</sup>	Ordinary	100%	Ward Brothers (Gillingham) Limited <sup>1</sup>	Ordinary	100%
Skydream Property Co. Limited <sup>1</sup>	Ordinary	100%	Ward Holdings Limited <sup>1</sup>	Ordinary	100%
SQ Holdings Limited <sup>1</sup>	Ordinary	90%	Ward Homes (London) Limited <sup>1</sup>	Ordinary	100%
Squires Bridge Homes Limited <sup>1</sup>	Ordinary	100%	Ward Homes (North Thames) Limited <sup>1</sup>	Ordinary	100%
Squires Bridge Limited <sup>1</sup>	Ordinary	100%	Ward Homes (South Eastern) Limited <sup>1</sup>	Ordinary	100%
Swift Properties Limited <sup>1</sup>	Ordinary	100%	Ward Homes Group Limited <sup>1</sup>	Ordinary	100%
The French House Limited <sup>1</sup>	Ordinary	100%	Ward Homes Limited <sup>1</sup>	Ordinary	100%
The Tin Hat Regeneration Partnership LLP <sup>1</sup>	N/A	N/A	Ward Insurance Services Limited <sup>1</sup>	Ordinary	100%
Tornik Limited <sup>1</sup>	Ordinary	100%	Wards Construction (Industrial) Limited <sup>1</sup>	Ordinary	100%
Trencherwood Commercial Limited <sup>1</sup>	Ordinary	100%	Wards Construction (Investments) Limited <sup>1</sup>	Ordinary	100%
Trencherwood Construction Limited <sup>1</sup>	Ordinary	100%	Wards Country Houses Limited <sup>1</sup>	Ordinary	100%
Trencherwood Developments Limited <sup>1</sup>	Ordinary	100%	Waterton Tennis Centre Limited <sup>1</sup>	Ordinary	100%
Trencherwood Estates Limited <sup>1</sup>	Ordinary	100%	William Corah & Son Limited <sup>1</sup>	Ordinary	100%
Trencherwood Group Services Limited <sup>1</sup>	Ordinary	100%	William Corah Joinery Limited <sup>1</sup>	Ordinary	100%
Trencherwood Homes (Holdings) Limited <sup>1</sup>	Ordinary	100%	Wilson Bowden (Atlantic Quay Number 2) Limited <sup>1</sup>	Ordinary	100%
Trencherwood Homes (Midlands) Limited <sup>1</sup>	Ordinary	100%	Wilson Bowden (Ravensraig) Limited	Ordinary	100%
Trencherwood Homes (South Western) Limited <sup>1</sup>	Ordinary	100%	Wilson Bowden City Homes Limited <sup>1</sup>	Ordinary	100%
Trencherwood Homes (Southern) Limited <sup>1</sup>	Ordinary	100%	Wilson Bowden Developments Limited <sup>1</sup>	Ordinary	100%
Trencherwood Homes Limited <sup>1</sup>	Ordinary	100%	Wilson Bowden Group Services Limited <sup>1</sup>	Ordinary	100%
Trencherwood Housing Developments Limited <sup>1</sup>	Ordinary	100%	Wilson Bowden Limited	Ordinary	100%
Trencherwood Investments Limited <sup>1</sup>	Ordinary	100%	Yeovil Developments Limited <sup>1</sup>	Ordinary	100%
Trencherwood Land Holdings Limited <sup>1</sup>	Ordinary	100%	Abbey Park (Ampleforth) Management Company Limited <sup>1,2</sup>	N/A	N/A
Trencherwood Land Limited <sup>1</sup>	Ordinary	100%	Abbots Meadow (Steventon) Management Company Limited <sup>1,2</sup>	N/A	N/A
Trencherwood Retirement Homes Limited <sup>1</sup>	Ordinary	100%	Adderbury Fields Management Company Limited <sup>1,2</sup>	N/A	N/A

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## Notes to the Financial Statements Year ended 30 June 2016 *continued*

### 7.4 Group subsidiary undertakings *continued*

Subsidiary	Class of share held	% of shares owned	Subsidiary	Class of share held	% of shares owned
Ambers Rise (Bexhill) Management Company Limited <sup>1,2</sup>	N/A	N/A	Castlegate & Mowbray Park Management Company Limited <sup>1,2</sup>	N/A	N/A
Applegarth Manor (Oulton) Management Company Limited <sup>1,2</sup>	N/A	N/A	Castle View (Newbury) Management Company Limited <sup>1,2</sup>	N/A	N/A
Artisan Place Residents Management Company Limited <sup>1,2</sup>	N/A	N/A	Cathedral Walk (Wells) Management Company Limited <sup>1,2</sup>	N/A	N/A
Ash Tree Court Management Company Limited <sup>1,4</sup>	N/A	N/A	Cedar Ridge Management Company Limited <sup>1,2</sup>	N/A	N/A
Autumn Brook (Yate) Management Company Limited <sup>1,2</sup>	N/A	N/A	Central Area Heat Company Limited <sup>1,2</sup>	N/A	N/A
Baggeridge Village Management Company Limited <sup>1,2</sup>	N/A	N/A	Centurion Fields (Adell) Management Company Limited <sup>1,2</sup>	N/A	N/A
Barley Fields Management Company Limited <sup>1,2</sup>	N/A	N/A	Chatham House Management Limited <sup>1,2</sup>	N/A	N/A
Barley Meadows (Southminster) Management Company Limited <sup>1,2</sup>	N/A	N/A	Cherry Tree Grove (West Parley) Management Company Limited <sup>1,2</sup>	N/A	N/A
Beach Road (Petham Grange) Cottenham Management Company Limited <sup>1,2</sup>	N/A	N/A	Cissbury Chase (Worthing) Management Company Limited <sup>1,2</sup>	N/A	N/A
Beaufort Park (Wotton Bassett) Management Company Limited <sup>1,2</sup>	N/A	N/A	Clements Gate (Hawkwell) Residents Company Limited <sup>1,2</sup>	N/A	N/A
Belle Vue (Doncaster) Management Company Limited <sup>1,2</sup>	N/A	N/A	Colliers Court (Speedwell) Management Company Limited <sup>1,2</sup>	N/A	N/A
Bentley Priory (Stanmore) Residents Management Company Limited <sup>1,2</sup>	N/A	N/A	Coopers Edge (Parcel B) Management Company Limited <sup>1,2</sup>	N/A	N/A
Bexley College (Tower Hill) Residents Management Company Limited <sup>1,2</sup>	N/A	N/A	Coppice Green Lane Management Company Limited <sup>1,2</sup>	N/A	N/A
Bilberry Chase Residents Management Company Limited <sup>1,2</sup>	N/A	N/A	Copsewood Management Company Limited <sup>1,2</sup>	N/A	N/A
Bishop Fields (Hereford) Management Company Limited <sup>1,2</sup>	N/A	N/A	Copseys Nursery (Havant) Management Company Limited <sup>1,2</sup>	N/A	N/A
Blackwall Road (BDW) Resident Management Company Limited <sup>1,2</sup>	N/A	N/A	Croft Gardens (Spencers Wood) Management Company Limited <sup>1,2</sup>	N/A	N/A
Blossombank (Cannon Lane) Tonbridge Management Company <sup>1,2</sup>	N/A	N/A	Daracombe Gardens Management Company Limited <sup>1,2</sup>	N/A	N/A
Bluebell Gate (East Grinstead) Management Company Limited <sup>1,2</sup>	N/A	N/A	Dehavilland Place (Hatfield) Management Company Limited <sup>1,2</sup>	N/A	N/A
Bluebell Woods (Wyke) Management Company Limited <sup>1,2</sup>	N/A	N/A	De Lacy Fields KM8 Management Company Limited <sup>1,2</sup>	N/A	N/A
Bodington Manor (Adel) Management Company Limited <sup>1,2</sup>	N/A	N/A	De Lacy Fields KM12 Management Company Limited <sup>1,2</sup>	N/A	N/A
Broadstone Mead Management Company Limited <sup>1,2</sup>	N/A	N/A	Doseley Park Residents Management Company Limited <sup>1,2</sup>	N/A	N/A
Brook Gardens Barnham Management Company Limited <sup>1,2</sup>	N/A	N/A	Dunnings Mills Management Company Limited <sup>1,2</sup>	N/A	N/A
Broomhill Park Estates Residents Association Limited <sup>1</sup>	Ordinary	87%	Earls Park Management Company Limited <sup>1,2</sup>	N/A	N/A
Brunel Gardens (Maidenhead) Management Company <sup>1,2</sup>	N/A	N/A	Elm Tree Park Management Company (Beverley) Limited <sup>1,2</sup>	N/A	N/A
Buckshaw Village Management Company Limited <sup>1</sup>	Ordinary	50%	Enterprise Way Management Company Limited <sup>1,2</sup>	N/A	N/A
Bure Meadows (Aylsham) Management Company Limited <sup>1,2</sup>	N/A	N/A	Eton Green Management Company Limited <sup>1,2</sup>	N/A	N/A
Butterfly Mill (Horsford) Management Company Limited <sup>1,2</sup>	N/A	N/A	Evolve (Gurnley Road) Thurrock Management Company Limited <sup>1,2</sup>	N/A	N/A
Butts Lane (Maple Park) Management Company Limited <sup>1,2</sup>	N/A	N/A	Fairways (Bedford) Management Company Limited <sup>1,2</sup>	N/A	N/A
Burrium Gate Management Company Limited <sup>1</sup>	Ordinary	100%	Foundry Place (Crawley) Management Company Limited <sup>1,2</sup>	N/A	N/A
Canal Walk (Chichester) Management Company Limited <sup>1,2</sup>	N/A	N/A	Foxcote Mead Management Company Limited <sup>1</sup>	Ordinary	100%
Cane Hill Park (Coulsdon) Management Company Limited <sup>1,2</sup>	N/A	N/A	Foxdown Overton Management Limited <sup>1,4</sup>	N/A	N/A
Canterbury Park (High Cross) Management Company Limited <sup>1,2</sup>	N/A	N/A	Freemen's Meadow Residents Management Company Limited <sup>1,2</sup>	N/A	N/A
Cardinal Park (Southampton) Management Company Limited <sup>1,2</sup>	N/A	N/A	Fusion (Sun Street) Management Company Limited <sup>1,2</sup>	N/A	N/A

## 7.4 Group subsidiary undertakings *continued*

Subsidiary	Class of share held	% of shares owned	Subsidiary	Class of share held	% of shares owned
Garnets Wharf (Otley) Management Company Limited <sup>1,2</sup>	N/A	N/A	Market Lakes (Barratt) Resident Management Company Limited <sup>1,2</sup>	N/A	N/A
Gloucester Gate (Basildon) Management Company Limited <sup>1,2</sup>	N/A	N/A	Martindale Place (Southwater) Management Company Limited <sup>1,2</sup>	N/A	N/A
Grange Park (Hampsthwaite) Management Company Limited <sup>1,2</sup>	N/A	N/A	Martingale Chase (Newbury) Management Company Limited <sup>1,2</sup>	N/A	N/A
Greyleas Management Company Limited <sup>1,2</sup>	N/A	N/A	Mayflower Green (Saxmundham) Residents Company Limited <sup>1,2</sup>	N/A	N/A
GWQ Management Limited <sup>1,4</sup>	N/A	N/A	Meadow View Watchfield Management Company Limited <sup>1,2</sup>	N/A	N/A
H2363 Limited <sup>1,2</sup>	N/A	N/A	Meridian Business Park Extension Management Company Limited <sup>1,3</sup>	Ordinary	29%
Halstead Place Residents Company Limited <sup>1,2</sup>	N/A	N/A	Milford Grange (Storrington) Management Company Limited <sup>1,2</sup>	N/A	N/A
Hanham Hall Community Interest Company Limited <sup>1,2</sup>	N/A	N/A	Montague Park (Buckhurst Farm) Management Company Limited <sup>1,2</sup>	N/A	N/A
Harlow Gateway Limited <sup>1,2</sup>	N/A	N/A	Montague Park (Wokingham) Management Company Limited <sup>1,2</sup>	N/A	N/A
Hartley Brook (Netherton) Management Company Limited <sup>1,2</sup>	N/A	N/A	Montgomery Place Residents Management Company Limited <sup>1,2</sup>	N/A	N/A
Hawley Gardens Management Company Limited <sup>1,2</sup>	N/A	N/A	Mulberry Park (Pringland) Management Company Limited <sup>1,2</sup>	N/A	N/A
Hazelmere Management Company Limited <sup>1,4</sup>	N/A	N/A	Nexus Point Management Company Limited <sup>1,3</sup>	Ordinary	0%
Heathwood Park (Lindfield) Management Company Limited <sup>1,2</sup>	N/A	N/A	Nexus Point Management Company Number 2 Limited <sup>1</sup>	Ordinary	80%
Hewenden Ridge (Cullingworth) Management Company Limited <sup>1,2</sup>	N/A	N/A	N.E. Horley Resident Management Company Limited <sup>1,2</sup>	N/A	N/A
High Beeches (Sharston) Management Company Limited <sup>1,2</sup>	N/A	N/A	Newbery Corner Management Company Limited <sup>1,2</sup>	N/A	N/A
Hollygate Park (Cotgrave) Management Company Limited <sup>1,2</sup>	N/A	N/A	New Central (Woking) Management Company Limited <sup>1,2</sup>	N/A	N/A
Impact and Willowbrook Management Company Limited <sup>1,2</sup>	N/A	N/A	Nightingale Rise (Swindon) Management Company Limited <sup>1,2</sup>	N/A	N/A
Interlink Park Management Company Limited <sup>1,3</sup>	Ordinary	0%	Norton Farm Management Company Limited <sup>1,2</sup>	N/A	N/A
Kennett Heath Management Limited <sup>1,2</sup>	N/A	N/A	Nottingham Business Park Management Company Limited <sup>1,3</sup>	Ordinary	2%
Kiln Road Thunderstey Management Company Limited <sup>1,2</sup>	N/A	N/A	Nottingham Business Park (Orchard Place) Management Company Limited <sup>1,3</sup>	Ordinary	2%
Kingley Gate (Littlehampton) Management Company Limited <sup>1,2</sup>	N/A	N/A	NSQ Residents Management Company Limited <sup>1,2</sup>	N/A	N/A
Kingsdown Gate (Swindon) Management Company Limited <sup>1,2</sup>	N/A	N/A	Oaklands (Pontefract) Management Company Limited <sup>1,2</sup>	N/A	N/A
Kings Lodge (Chilwell) Management Company Limited <sup>1,2</sup>	N/A	N/A	Oakhurst Place (Bexhill) Management Company Limited <sup>1,2</sup>	N/A	N/A
Leithfield Park (Godalming) Management Company Limited <sup>1,2</sup>	N/A	N/A	Oakwell Grange Management Company Limited <sup>1,2</sup>	N/A	N/A
Liberty Green (Hull) Management Company Limited <sup>1,2</sup>	N/A	N/A	Oatley Park Management Company Limited <sup>1,2</sup>	N/A	N/A
Liberty Rise Phase 1 (Hertford) Management Company Limited <sup>1,2</sup>	N/A	N/A	Old Cider Works Management Company Limited <sup>1,2</sup>	N/A	N/A
Locksbridge Park (Andover) Management Company Limited <sup>1,2</sup>	N/A	N/A	Optimus Point Management Company Limited <sup>1</sup>	Ordinary	100%
Lordswood Gardens Residents Management Company Limited <sup>1,2</sup>	N/A	N/A	Orchard Gate (Kingston Bagpuize) Management Company Limited <sup>1,2</sup>	N/A	N/A
Lyng Management Company Limited <sup>1,2</sup>	N/A	N/A	Parklands Residents Soakway Management Company Limited <sup>1,3</sup>	Ordinary	1%
Lyttleton Grange Management Company Limited <sup>1,2</sup>	N/A	N/A	Pavilion Square (Pocklington) Management Company Limited <sup>1,2</sup>	N/A	N/A
Madden Gardens Residents Management Company Limited <sup>1,2</sup>	N/A	N/A	Peasedown Meadows Management Company Limited <sup>1,2</sup>	N/A	N/A
Manor Farm (Denville) Management Company Limited <sup>1,2</sup>	N/A	N/A	Phoenix And Scoreby Park Management Company Limited <sup>1,2</sup>	N/A	N/A
Market Square Residents Management Company Limited <sup>1,2</sup>	N/A	N/A	Phoenix Quarter – Apt – Management Company Limited <sup>1,2</sup>	N/A	N/A

Notes to the Financial Statements Year ended 30 June 2016 *continued*7.4 Group subsidiary undertakings *continued*

Subsidiary	Class of share held	% of shares owned	Subsidiary	Class of share held	% of shares owned
Phoenix Quarter Estate Management Company Limited <sup>1,2</sup>	N/A	N/A	Stanstead Road (Kingswood Place Elsenham) Management Company Limited <sup>1,2</sup>	N/A	N/A
Pilgrims Rest (Kempston) Management Company Limited <sup>1,2</sup>	N/A	N/A	Stoneyfield Management Company Limited <sup>1</sup>	Ordinary	100%
Poppy Fields, Charing Residents Management Company Limited <sup>1,2</sup>	N/A	N/A	Swallows Field (Hemel Hempstead) Management Company Limited <sup>1,2</sup>	N/A	N/A
Portman Square West Village Reading Management Company Limited <sup>1,2</sup>	N/A	N/A	Swanbourne Park Management Company Limited <sup>1,2</sup>	N/A	N/A
Preston Grange Residents Management Company Limited <sup>1,2</sup>	N/A	N/A	Swan Mill (Newbury) Management Company Limited <sup>1,2</sup>	N/A	N/A
Priory Fields (Pontefract) Management Company Limited <sup>1,2</sup>	N/A	N/A	Swinbrook Park (Carterton) Management Company Limited <sup>1,2</sup>	N/A	N/A
Q Park (Dartford) Management Company Limited <sup>1,2</sup>	N/A	N/A	Tenbury View Management Company Limited <sup>1,2</sup>	N/A	N/A
Ravenhill Park Management Company Limited <sup>1,2</sup>	N/A	N/A	The Abacol Fields Residents Management Company Limited <sup>1,2</sup>	N/A	N/A
Reflections 2 (Colchester) Residents Company Limited <sup>1,2</sup>	N/A	N/A	The Beeches (Nightingale Woods) Residential Management Company Limited <sup>1,2</sup>	N/A	N/A
Regency Place (Leatherhead) Management Company Limited <sup>1,2</sup>	N/A	N/A	The Belt Open Space Management Company Limited <sup>1,2</sup>	N/A	N/A
Ridgeway Residential Management Company Limited <sup>1,2</sup>	N/A	N/A	The Chase (Longfield) Residents Company Limited <sup>1,2</sup>	N/A	N/A
Riverdown Park (Salisbury) Management Company Limited <sup>1,2</sup>	N/A	N/A	The Chocolate Works Management Company Limited <sup>1,2</sup>	N/A	N/A
Riverside Exchange Management Company Limited <sup>1,3</sup>	Ordinary/Preference	22.8	The Fieldings (Worthing) Management Company Limited <sup>1,2</sup>	N/A	N/A
Riverside Meadow Residents Management Company Limited <sup>1,2</sup>	N/A	N/A	The Foundry (Wakefield) Management Company Limited <sup>1,2</sup>	N/A	N/A
Romulus Management Company Limited <sup>1,2</sup>	Ordinary	4%	The Gateway (Handsworth) Management Co Ltd <sup>1,2</sup>	N/A	N/A
Ronkswood Residents Management Company Limited <sup>1,2</sup>	N/A	N/A	The Grange (Lightcliffe) Management Company <sup>1,2</sup>	N/A	N/A
Runshaw Management Company Limited <sup>1</sup>	Ordinary	100%	The Hedgerows (Thurcroft) Management Company Limited <sup>1,2</sup>	N/A	N/A
Salters Park Management Company Limited <sup>1,2</sup>	N/A	N/A	The Larches (Offenham) Management Company Limited <sup>1,2</sup>	N/A	N/A
Sandbrook Park Management Company Limited <sup>1,2</sup>	N/A	N/A	The Limes (Lindfield) Management Company Limited <sup>1,2</sup>	N/A	N/A
Sandpiper Walk (West Wittering) Management Company Limited <sup>1,2</sup>	N/A	N/A	The Mallings (Wallingford) Management Company Limited <sup>1,2</sup>	N/A	N/A
Saunderson Gardens Management Company Limited <sup>1,2</sup>	N/A	N/A	The Martlets (Crawley) Management Company Limited <sup>1,2</sup>	N/A	N/A
Saxon Place (Harrietsham) Resident Management Company Limited <sup>1,2</sup>	N/A	N/A	The Meads (Frampton Cotterell) Management Company Limited <sup>1,2</sup>	N/A	N/A
Sholden Fields (Deal) Management Limited <sup>1,2</sup>	N/A	N/A	The Mounds Residents Management Company Limited <sup>1,2</sup>	N/A	N/A
Silkwood Gate (Wakefield) Management Company Limited <sup>1,2</sup>	N/A	N/A	The Orchards Oakley Management Company Limited <sup>1</sup>	Ordinary	60%
Silvas Grange (Heathfield) Management Company Limited <sup>1,2</sup>	N/A	N/A	The Orchards (Roby) Management Company Limited <sup>1,2</sup>	N/A	N/A
Spinney Fields Resident Management Company Limited <sup>1,2</sup>	N/A	N/A	The Paddocks Management Company Limited <sup>1,2</sup>	N/A	N/A
St. Andrews View (Morley) Management Company Limited <sup>1,2</sup>	N/A	N/A	The Paddocks (Skelmanthorpe) Management Company Limited <sup>1,2</sup>	N/A	N/A
St. James Gardens (Wick) Management Company Limited <sup>1,2</sup>	N/A	N/A	The Paddocks (Knaresborough) Management Company Limited <sup>1,2</sup>	N/A	N/A
St. John's Walk (Hoylandswaine) Management Company Limited <sup>1,2</sup>	N/A	N/A	The Sidings (Hull) Management Company <sup>1,2</sup>	N/A	N/A
St. Laurence Meadows Management Company Limited <sup>1,2</sup>	N/A	N/A	The Sidings (Stratford Road) Management Company Limited <sup>1,2</sup>	N/A	N/A
St Mary's Park (Hartley Wintney) Management Company Limited <sup>1,2</sup>	N/A	N/A	The Spires (Chesterfield) Management Company Limited <sup>1,2</sup>	N/A	N/A
Stanstead Road (Caterham) Management Company Limited <sup>1,2</sup>	N/A	N/A	The Vineyards Management Company Limited <sup>1,2</sup>	N/A	N/A

## 7.4 Group subsidiary undertakings *continued*

Subsidiary	Class of share held	% of shares owned	Subsidiary	Class of share held	% of shares owned
The Zone (Temple Quay) Management Company Limited <sup>1,2</sup>	N/A	N/A	Willowmead (Wiveliscombe) Management Company Limited <sup>1,2</sup>	N/A	N/A
Tranby Fields Management Company Limited <sup>1,2</sup>	N/A	N/A	Winnington Village Community Management Company Limited <sup>1,2</sup>	N/A	N/A
Tickledown Limited <sup>1,4</sup>	N/A	N/A	Withies Bridge Management Company Ltd <sup>1,2</sup>	N/A	N/A
Trinity Square (NW9) Management Company Limited <sup>1,2</sup>	N/A	N/A	Woodhall Grange Management Company Limited <sup>1,2</sup>	N/A	N/A
Trinity Village Estate Company Limited <sup>1,2</sup>	N/A	N/A	Woodthorne Residents Management Company Limited <sup>1,2</sup>	N/A	N/A
Trinity Village (Phase 1B) Residents Company Limited <sup>1,2</sup>	N/A	N/A	Woodlands Walk (Branton) Management Company Limited <sup>1,2</sup>	N/A	N/A
Trinity Village (Phase 3) Residents Company Limited <sup>1,2</sup>	N/A	N/A	Yarnfield Park Management Company Limited <sup>1,2</sup>	N/A	N/A
Trinity Village (Phase 4) Residents Company Limited <sup>1,2</sup>	N/A	N/A			
Trumpington Meadows Residents Management Company Limited <sup>1,2</sup>	N/A	N/A			
Trumpington (Phase 6 & 7) Management Company Limited <sup>1,2</sup>	N/A	N/A			
Trumpington (Phase 8 - 11) Management Company Limited <sup>1,2</sup>	N/A	N/A			
Upton C Management Company Limited <sup>1,2</sup>	N/A	N/A			
Victoria Park (Stone House) Management Company Limited <sup>1,2</sup>	N/A	N/A			
Victoria Walk Management Company Limited <sup>1,2</sup>	N/A	N/A			
Waters Edge (Mossley) Management Company Limited <sup>1,2</sup>	N/A	N/A			
WBD Blenheim Management Company Limited <sup>1</sup>	Ordinary	75%			
WBD (Chalfont Park) Limited <sup>1,3</sup>	Ordinary	1%			
WBD (Chesterfield Management) Limited <sup>1</sup>	Ordinary	17%			
WBD (Chesterfield) Plot Management Company Limited <sup>1</sup>	Ordinary	25%			
WBD (Kingsway Management) Limited <sup>1,2</sup>	N/A	N/A			
WBD (Riverside Exchange Sheffield B) Limited <sup>1</sup>	Ordinary	100%			
WBD Riverside Sheffield Building K Limited <sup>1</sup>	Ordinary	100%			
WBD (Wokingham) Limited <sup>1</sup>	Ordinary	100%			
Wedgwood Residents Management Company Limited <sup>1,2</sup>	N/A	N/A			
Westbridge Park (Auckley) Management Company Limited <sup>1,2</sup>	N/A	N/A			
West Central (Slough) Management Company Limited <sup>1,2</sup>	N/A	N/A			
Western Area Heat Company Limited <sup>1,2</sup>	N/A	N/A			
West Village Reading Management Limited <sup>1,4</sup>	N/A	N/A			
Weyside Place (Guildford) Management Company Limited <sup>1,2</sup>	N/A	N/A			
White Sands Management Company Limited <sup>1,2</sup>	N/A	N/A			
Wickhurst Green (Broadbridge Heath) Management Company Limited <sup>1,2</sup>	N/A	N/A			
Willow Farm Management Company Limited <sup>1,3</sup>	Ordinary	1%			

- 1 Owned through another Group company.
- 2 Entity is limited by guarantee and is a temporary member of the Group. Assets are not held for the benefit of the Group and the entity has no profit or loss in the year.
- 3 The Group is a minority shareholder but has voting control.
- 4 The Group does not own any shares but has control via directors who are employees of the Group.

## Other Information

**Five Year Record, Financial Calendar, Group Advisers and Company Information****Five Year Record**

	2016	2015	2014	2013 (restated)	2012
Revenue (€m)	<b>4,235.2</b>	3,759.5	3,157.0	2,606.2	2,323.4
Profit before tax (€m)	<b>682.3</b>	565.5	390.6	104.5	100.0
Share capital and equity (€m)	<b>4,010.2</b>	3,711.3	3,354.0	3,073.2	2,973.8
<b>Per ordinary share:</b>					
Basic earnings per share (pence)	<b>55.1</b>	45.5	31.2	7.7	7.0
Dividend (interim paid and final proposed) (pence)	<b>18.3</b>	15.1	10.3	2.5	-
Special cash payment proposed (pence)	<b>12.4</b>	10.0	-	-	-

\* The Consolidated Income Statement and Statements of Comprehensive Income have been restated for 2013 following the adoption of IAS 19 (Revised) 'Employee Benefits'.

**Financial Calendar**

The following dates have been announced:

Announcement	
2016 Annual General Meeting and Trading update	16 November 2016
Trading update	12 January 2017
2017 Interim Results Announcement	22 February 2017
Trading update	10 May 2017
Trading update	12 July 2017
2017 Annual Results Announcement	6 September 2017

**Group Advisers****Registrars**

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The Registry  
34 Beckenham Road  
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BR3 4TU

**Chartered Accountants and Statutory Auditor**

Deloitte LLP  
London

**Solicitors**

Slaughter and May

**Brokers and Investment Bankers**

Credit Suisse Securities (Europe) Limited  
Deutsche Bank AG

**Company Information**

Registered in England and Wales.  
Company number 604574

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