BARRATT

DEVELOPMENTS PLC

BUILDING EXCELLENCE
SINCE 1958

Annual Report and Accounts 2018

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Notice regarding limitations on Directors' liability under English law

Under the Companies Act 2006, a safe harbour limits the liability of Directors in respect of statements in, and omissions from, the Strategic Report contained on pages 1 to 56 and the Directors' Report contained on pages 57 to 118. Under English Law the Directors would be liable to the Company (but not to any third party) if the Strategic Report and/or the Directors' Report contains errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

Strategic Report and Directors' Report

Pages 1 to 56 inclusive comprise the Strategic Report and pages 57 to 118 inclusive comprise the Directors' Report, both of which have been drawn up and presented in accordance with, and in reliance upon, English Company Law. The liabilities of the Directors' in connection with the reports shall be subject to the limitations and restrictions provided by such law.

Cautionary statement regarding forward-looking statements

The Group's reports including this document and written information released, or oral statements made, to the public in future by or on behalf of the Group, may contain forward-looking statements. Although the Group believes that its expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Strategic priorities

Customer first

+ See page 24

Great places

+ See page 28

Leading construction

+ See page 32

Investing in our people

+ See page 36

Key highlights[1]

Another year of strong performance

£m unless otherwise stated[1,2]	Year ended 30 June 2018	Year ended 30 June 2017	Change
Total completions (units)[3]	**17,579**	17,395	1.1%
Revenue	**4,874.8**	4,650.2	4.8%
Gross margin (%)	**20.7**	20.0	70 bps
Profit from operations	**862.6**	799.2	7.9%
Operating margin (%)	**17.7**	17.2	50 bps
Profit before tax	**835.5**	765.1	9.2%
Basic earnings per share (pence)	**66.5**	61.3	8.5%
Total dividend per share (pence)	**43.8**	41.7	5.0%
ROCE (%)	**29.6**	29.8	(20) bps
Tangible net assets per share (pence)	**366**	340	7.6%
Net cash	**791.3**	723.7	9.3%

1 Refer to pages 8 to 11 for definitions of KPIs.

2 Unless otherwise stated, all numbers quoted exclude JVs and are for the year ended 30 June throughout this Annual Report and Accounts.

3 Includes JV completions in which the Group has an interest.

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

We are proud not only to be Britain's leading housebuilder but also to lead the industry both in customer service and build quality.

We are building the homes the country needs, creating jobs and supporting economic growth whilst delivering for our shareholders.

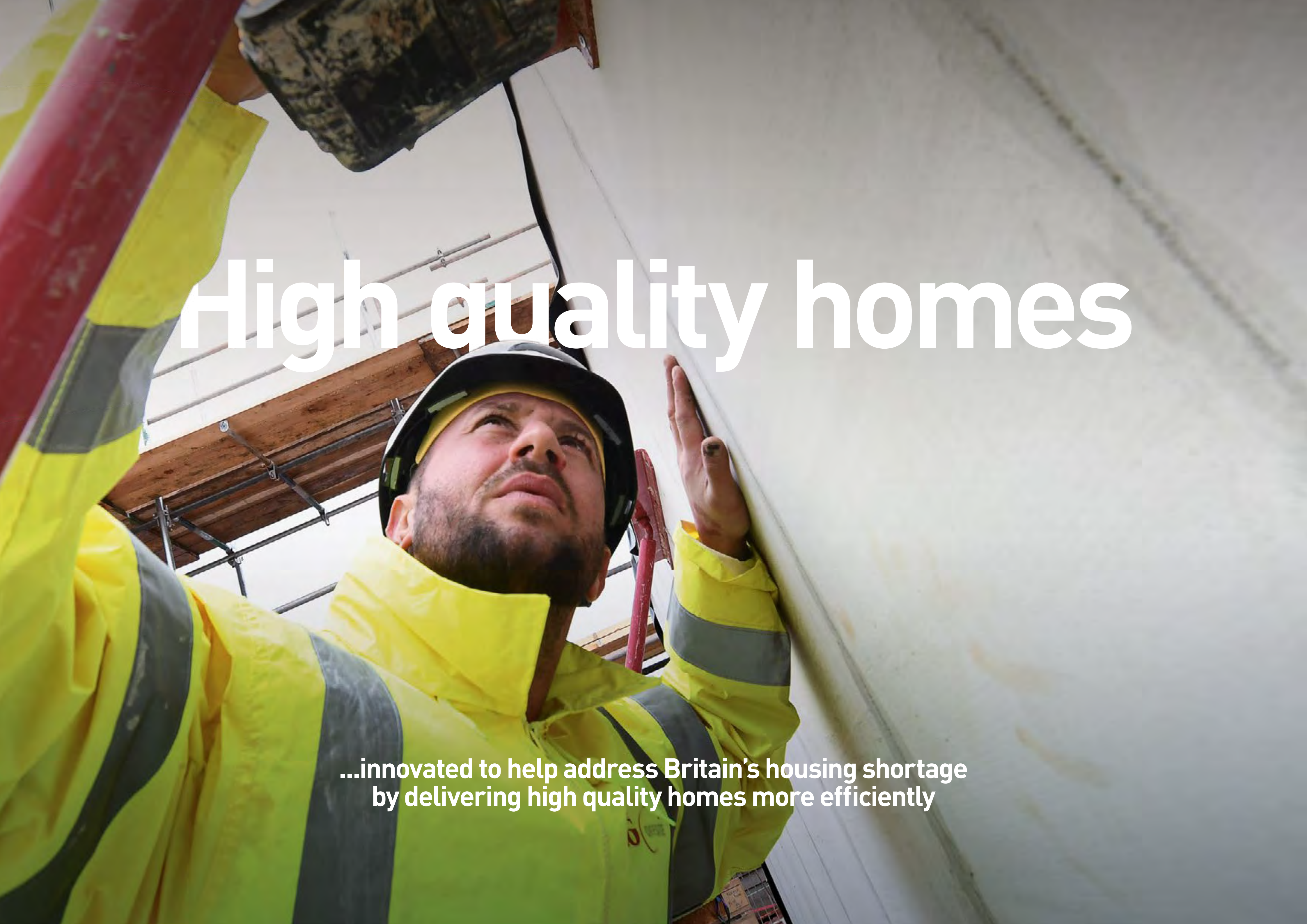
Over the past 60 years we have...

450,000 homes

...built more than 450,000 homes creating great places where people aspire to live whilst leaving behind a positive legacy

Customer focus

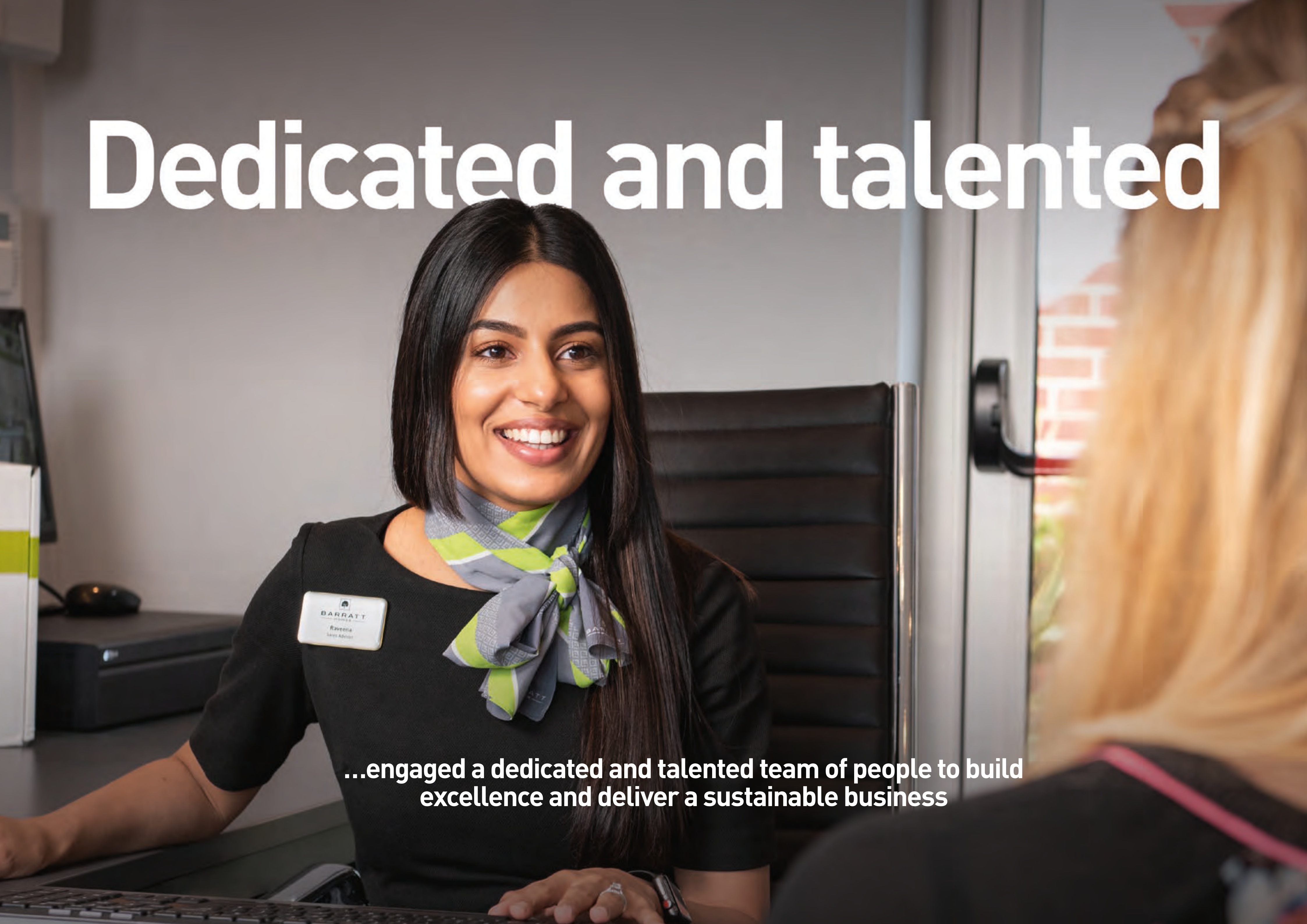
...focused on our customers and put them at the heart of everything we do, achieving the HBF 5 Star award for nine consecutive years



High quality homes

...innovated to help address Britain's housing shortage
by delivering high quality homes more efficiently

Dedicated and talented



...engaged a dedicated and talented team of people to build excellence and deliver a sustainable business

A snapshot of our business

We are the nation's leading housebuilder operating across Britain with 27 housebuilding divisions delivering 17,579[1] homes this year.

Our year in numbers

Total completions[1]

17,579

2017: 17,395

Average active outlets

368

2017: 366

Housebuilding divisions

27

2017: 27

Owned and controlled land bank plots

79,432

2017: 75,043

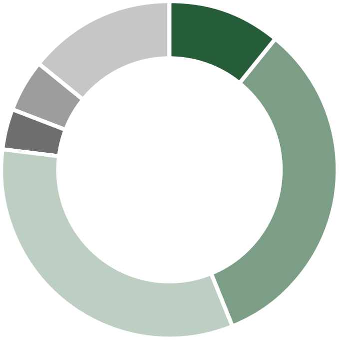
Employees[2]

6,330

2017: 6,193

Our homes

We are committed to building high quality homes and have been awarded 83 NHBC Pride in the Job Awards on our sites in 2018, more than any other housebuilder for 14 consecutive years.



Completions by unit type	2018	2017
● 1 and 2 bedroom houses	**11%**	12%
● 3 bedroom houses	**33%**	32%
● 4 bedroom houses	**33%**	32%
● 5 and 6 bedroom houses	**4%**	4%
● Flats London	**5%**	6%
● Flats non-London	**14%**	14%

Our customers

We put our customers first and have received the maximum HBF 5 Star customer satisfaction rating for nine consecutive years.

Completions by deal type	2018	2017
● Help to Buy	**36%**	35%
● Part-exchange	**9%**	8%
● Other private	**31%**	31%
● Investor	**5%**	6%
● Affordable	**19%**	20%

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[1] Total completions, including joint ventures, were 17,579 (2017: 17,395) for the year. Private completions for the year were 13,439 (2017: 13,303). Affordable completions for the year were 3,241 (2017: 3,342) and JV completions in which the Group had an interest were 899 (2017: 750).

[2] Employee numbers, excluding sub-contractors, taken as at 30 June.

Our brands

We have three housebuilding brands – Barratt Homes, David Wilson Homes and Barratt London.

Commercial developments are delivered by Wilson Bowden Developments.

BARRATT HOMES

DAVID WILSON HOMES
WHERE QUALITY LIVES

BARRATT LONDON

Wilson Bowden Developments

Our geographic spread (including JVs)

Developing homes across Britain where people want to live[1]. Completion volumes in the year were:

Scotland
1,729 ①
2017: 1,708

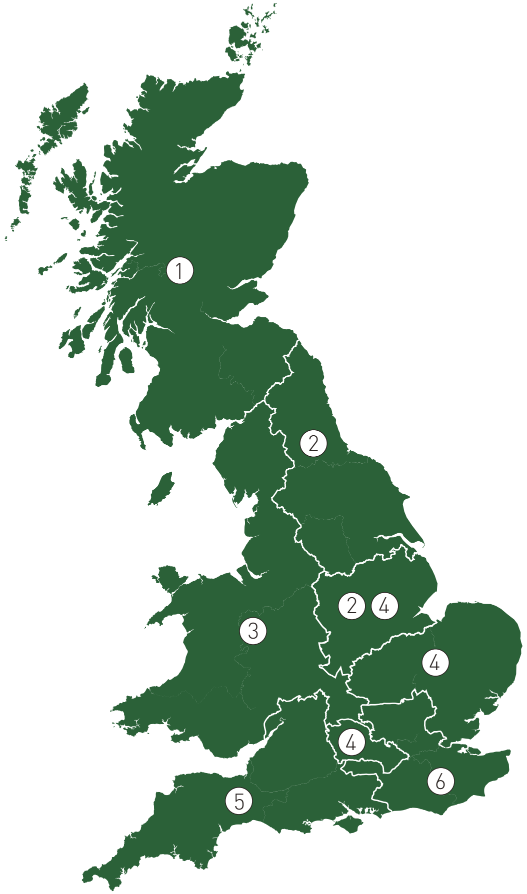
East
3,540 ④
2017: 3,381[2]

Northern
2,965 ②
2017: 2,966[2]

West
2,639 ⑤
2017: 2,433

Central
3,258 ③
2017: 3,389

London and Southern
3,448 ⑥
2017: 3,518[2]



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[1] Housebuilding contributes 99.0% (2017: 98.7%) of revenues. We also have a commercial developments business which contributes 1.0% (2017: 1.3%) of revenues.

[2] 2017 comparatives have been re-stated under 2018 regional structure.

Our performance and financial highlights

This has been another excellent year for the Group. We have delivered a strong operational and financial performance and our highest completion volumes for a decade.

This year we have introduced operating margin as a financial KPI. This demonstrates the profitability of our business before finance costs and tax. We have also included some other non-financial KPIs, which highlight our commitment to reducing the waste we generate and our greenhouse gas emissions.

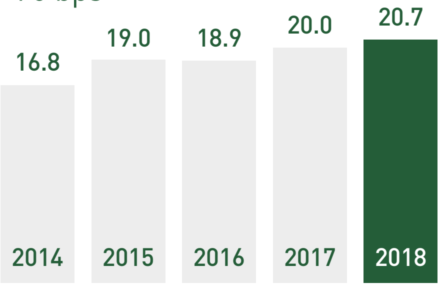
Financial KPIs

KPI

Gross margin (%)

20.7%

+70 bps



Target

New land acquisition at a minimum 23% gross margin

Status: **New hurdle rate**

Definition

Gross profit divided by total revenue, expressed as a percentage.

Why we measure

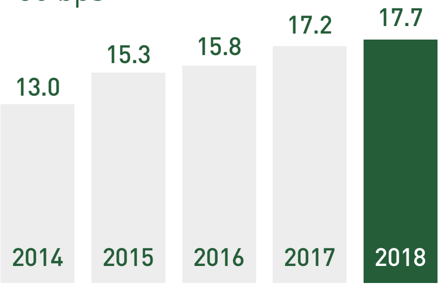
- Key internal metric for assessing site profitability.
- Enables consistent comparison of land acquisitions.

KPI

Operating margin (%)

17.7%

+50 bps



Target

Driving further improvements[1]

Status: **New target**

Definition

Operating profit divided by total revenue, expressed as a percentage.

Why we measure

- Demonstrates profitability of our business before finance costs and tax.
- Assesses the efficiency of our operations.

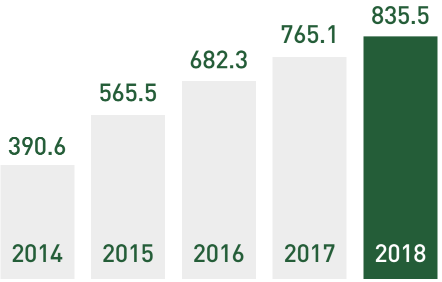
[1] See Strategic Report page 19.

KPI

Profit before tax (£m)

£835.5m

+9.2%



Target

Profit before tax in line with consensus

Status: **Achieved**

Definition

The Group's profit before tax including its share of profits from JVs and associates.

Why we measure

- Shows the profitability of the Group after administrative costs and finance costs.
- Key metric for assessing performance for Executive Directors' remuneration.

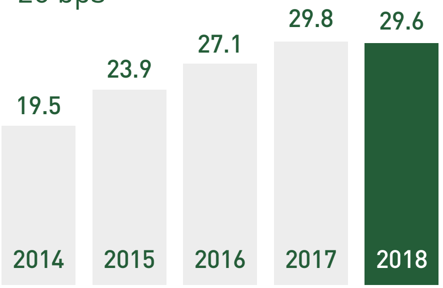
Financial KPIs

KPI

Return on capital employed (ROCE) (%)

29.6%

–20 bps



Target

Minimum of 25%

Status: **Achieved**

Definition

Calculated as earnings before interest, tax, operating charges relating to the defined benefit pension scheme and operating adjusting or 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.

Why we measure

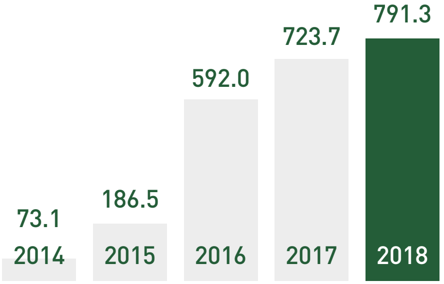
- Ensures efficient and effective use of capital within the business.
- Key metric for assessing performance for Executive Directors' remuneration.

KPI

Year end net cash/(debt) (£m)

£791.3m

+£67.6m



Target

Year end net cash

Status: **Achieved**

Definition

Calculated as cash and cash equivalents, less total borrowings being total drawn debt, plus/minus the value of any foreign exchange swaps held.

Why we measure

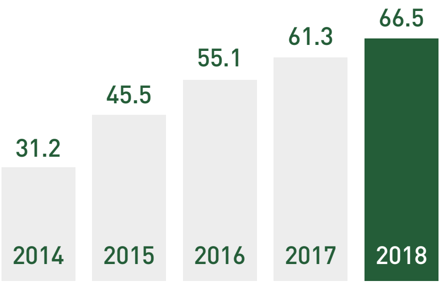
- Shows the Group's liquidity.
- Helps to assess the Group's ability to fund its on-going operational commitments.

KPI

Earnings per share (pence)

66.5p

+8.5%



Target

In line with consensus at the start of the financial year

Status: **Achieved**

Definition

Calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust which are treated as cancelled.

Why we measure

- Shows profit attributable to each share and used to calculate the amount of dividend per share.
- Key metric for assessing performance for Executive Directors' remuneration.

KPI

Total shareholder return

15.6%

Total shareholder return for the three years ended 30 June 2018

(2017: 81.3% Total shareholder return for the three years ended 30 June 2017)

Definition

TSR is a measure of the performance of the Group's share price over a period of three financial years. It combines share price appreciation and dividends paid to show the total return to the shareholders expressed as a percentage.

Why we measure

- Shows the appreciation and income a shareholder receives from holding each share.
- Key metric for assessing performance for Executive Directors' remuneration.

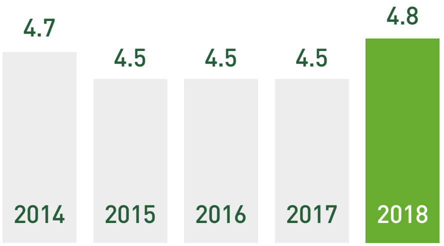
Our performance and financial highlights continued

Non Financial KPIs

KPI

Owned and controlled land bank (years)

4.8 years



Target

c. 4.5 years supply

Status: **Achieved**

Definition

The number of years supply of owned and controlled land.

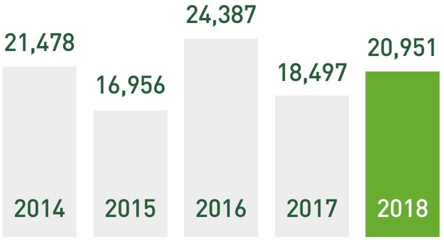
Why we measure

- Drives the ownership of the optimum amount of land to support business activities.
- Key metric for assessing performance for Executive Directors' remuneration.

KPI

Land approvals (plots)

20,951



Target

More than 20,000 plots approved for purchase

Status: **Achieved**

Definition

The number of plots approved for purchase by the Group.

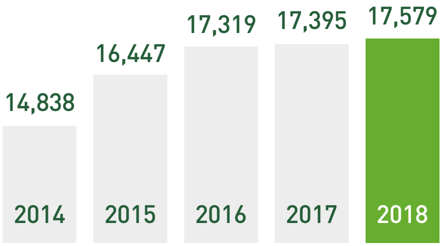
Why we measure

- Monitors that the Group is approving an appropriate amount of land for purchase to support future business activity.
- Ensure land is approved at minimum hurdle rates.

KPI

Total completions including joint ventures (units)

17,579



Target

Disciplined growth in completion volumes

Status: **Achieved**

Definition

Units legally completed during the year including 100% of JV units legally completed in which the Group has an interest.

Why we measure

- Reflects activity and growth of the business.
- Method by which business capacity is monitored.

KPI

Health and Safety (SHE audit compliance)

96%

Target

94%

Status: **Achieved**

Definition

The percentage of internal inspections which are compliant with SHE guidelines.

Why we measure

- Demonstrates compliance with safety standards on our sites.
- Lead indicator highlighting areas of SHE focus.

Non Financial KPIs

KPI

Customer service

5 STAR HOME BUILDER
CUSTOMER SATISFACTION
HBF 2018
HOME BUILDERS FEDERATION

Target

5 Star

Status: **Achieved**

Definition

The percentage of homebuyers who would recommend the Group to family and friends taken from the HBF Homebuilder Survey.

Why we measure

- Customer satisfaction is fundamental to the business.
- HBF Homebuilder survey is an industry recognised, independently measured indicator of our customer service and build quality.

KPI

Employee engagement score

79%

Target

Upper quartile engagement[1]

Status: **Achieved**

Definition

The percentage level of satisfaction of our people measured using a yearly independently conducted survey. This is compared against a UK wide benchmark to assess overall engagement.

Why we measure

- To gain an insight of, and provide a forum for, employee views.
- To retain and invest in the best people and focus on their development and success.

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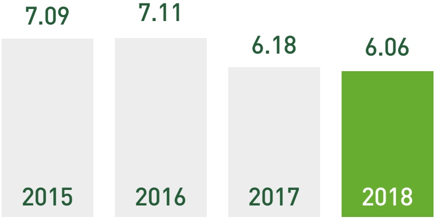
[1] Assessed against the UK all sectors comparator group by IBM Kenexa.

KPI

Waste intensity (per 100 sq. m. build)

6.06 tonnes

–1.9%



Target

Reduce construction waste intensity (tonnes per 100 sq. m. build) to 5.67 by 2025

Status: **On track**

Definition

The measure for waste intensity applies to above ground construction waste only (i.e. excludes demolition and excavation waste). It measures tonnes of waste generated for every 100 sq. m. of build area.

Why we measure

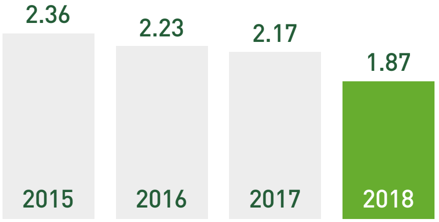
- To maximise operating efficiency and use materials as efficiently as possible in the construction process.
- Monitors progress in waste reduction.

KPI

Carbon intensity (per 1,000 sq. ft.)

1.87 tonnes

–13.8%



Target

Reduce carbon intensity (tonnes per 1,000 sq. ft.) from our construction operations, offices and business mileage to 2.12

Status: **Achieved**

Definition

Measures tonnes of greenhouse gas emissions associated with our Scope 1, 2 and 3 emissions[2] which includes energy and fuel use on housebuilding sites, in offices and includes all business mileage, for every 1,000 sq. ft. of build area.

Why we measure

- Monitors environmental impact of our business activities.
- Monitors progress in carbon reduction arising from our operations.

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[2] See footnote 1 on page 43 for definition.

How we create and preserve value

Our business model encompasses our vision and 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.

Critical inputs

We have certain critical resources and relationships we need to manage and maintain to ensure our business model can be run efficiently. These inputs are controlled through our implementation of both our strategy and our priorities and principles.

- Financial capital
- Our people
- Local government and engagement
- Landowner engagement
- Availability of building materials
- Mortgage availability and affordability
- Contractors
- Community relations

Strategic priorities and principles

The model is underpinned by our strategic priorities of Customer first, Great places, Leading construction and Investing in our people and supported by our set of principles and financial discipline (see pages 23 to 47 for more details). Our six key sustainability issues that matter most to our stakeholders[1] are integrated into the way we work. We focus on delivering value across the housebuilding value chain, creating sustainable value for our shareholders and by making a positive difference in the communities in which we operate. We believe collectively these define our business and help make Barratt different.

What we do

① Targeted land buying and effective planning

② Outstanding design

③ Construction excellence, innovation and efficiency

④ Innovative sales and marketing

⑤ Industry leading customer experience

Our Vision:
Our vision is to lead the future of housebuilding by putting customers at the heart of everything we do.

This defines our actions and behaviours, developing the way we do business.

Long term sustainable value

We create long term value for our stakeholders[2].

Total shareholder returns

- Two and a half times ordinary dividend cover.
- Special cash payment programme in the five year period to November 2019.
- In total £1.9bn[3] Capital Return Plan to November 2019.

Customers and society

- Quality homes and customer care.
- Local investment in infrastructure and regeneration.
- Job creation and skills enhancement.
- Taxation revenues.

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[1] See sustainability section on our website (www.barrattdevelopments.co.uk/sustainability/our-publications).

[2] The Board take the impact on key stakeholders into account when making decisions, for more information please see pages 70 to 73.

[3] See page 22 for further details.

① Targeted land buying and effective planning

What we do

We purchase land in targeted locations which at least meet our hurdle rates and enable us to satisfy the needs of our customers and communities. We work closely with local communities and authorities to deliver effective planning permissions that enable us to create sustainable places for our customers to live.

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

The value this creates

- Improve operating margin over the medium term, increasing returns for our shareholders and generating taxation revenues.
- 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[1]

Ⓐ Ⓑ Ⓒ Ⓓ Ⓕ Ⓗ Ⓙ

② Outstanding design

What we do

We design outstanding homes and places for our customers, using standard house designs. Through customer research we continually strive to innovate and develop these designs.

This means our high quality products are well designed to fit our customers' lifestyles with developments that enhance the local community, with our aim that all new developments achieve our Great Places 'Silver' rating by 2020.

The value this creates

- Ability to achieve the best possible prices for the quality homes we sell and drive 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 for our customers and lower carbon emissions over the lifetime of the homes we build.

The associated risks[1]

Ⓓ Ⓕ Ⓖ Ⓘ Ⓙ

③ Construction excellence, innovation and efficiency

What we do

We build quality homes efficiently, with centralised procurement and sharing of best practice, whilst ensuring high standards of health and safety. Our experienced teams help ensure efficient delivery of our developments and continue to work with our suppliers to develop and test various forms of offsite and modern methods of construction.

We have long standing relationships with material suppliers which are centrally contracted, managing our cost base and ensuring continuity of supply. We also have 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.
- Improving the speed and consistency of our service delivery.
- High standards of health and safety.
- Job creation and support.
- Helping address the construction industry skills shortage through employing and training apprentices and graduates and improving the industry's reputation.

The associated risks[1]

Ⓐ Ⓑ Ⓓ Ⓔ Ⓖ Ⓗ Ⓘ Ⓙ

④ Innovative sales and marketing

What we do

We constantly innovate our sales and marketing methods to customers and invest in IT to help 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.
- Training and development programmes for our Construction, Sales & Marketing and Customer Care teams to ensure they remain best in class.

The associated risks[1]

Ⓐ Ⓓ Ⓙ

⑤ 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 throughout the home buying process.

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

The value this creates

- Improved revenues and efficiency through reduced remedial costs.
- Customers who are satisfied with their new homes and who would recommend us to their friends and families, generating further sales.
- Sustainable brand recognition and trusted reputation.

The associated risks[1]

Ⓓ Ⓔ Ⓙ

Key

Ⓐ Economic environment, including housing demand and mortgage availability
Ⓑ Land availability
Ⓒ Availability of finance and working capital
Ⓓ Attracting and retaining high-calibre employees
Ⓔ Availability of raw materials, sub-contractors and suppliers
Ⓕ Government regulation and planning policy
Ⓖ Construction
Ⓗ Joint ventures and consortia
Ⓘ Safety, health and environmental
Ⓙ IT

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[1] All the associated risks are discussed in greater detail in the Risk management section on pages 48 to 56.

Chairman's statement

> “Another strong performance for the Group, underpinned by an effective and well established system of governance.
>
> **John Allan**
> Chairman

Total dividend per share

43.8p

(2017: 41.7p)

Capital Return Plan over five years ending November 2019 based on consensus earnings

£1.9bn

2018 marks Barratt's 60th anniversary and we are proud to have built more than 450,000 homes across the country since we began in 1958. As the largest housebuilder in the UK, we delivered 17,579 homes in the year, the second highest annual figure in our 60 year history.

The Group performed well again this year against key financial and operational metrics. We also continue to lead the industry in quality and service and reported record profits for the fourth year running.

At the heart of our business is a commitment to quality and service. Home buyers have the right to expect the highest quality and service. We strive to deliver this right across our business. This commitment to quality and service is recognised widely across the industry.

Our site managers were awarded 83 NHBC Pride in the Job Awards for site management this year, more than any other housebuilder for the 14th year in a row. We were also awarded the Home Builders Federation maximum 5 Star rating, meaning that over 90% of our customers would recommend us to a friend, for the ninth consecutive year – the only major housebuilder with this record. These achievements are a testament to our focus on leading the future of housebuilding by putting customers at the heart of everything we do.

Political and economic environment

The Government continues to emphasise its support of housebuilding and commitment to tackling the country's housing shortage. We expect that the recently updated National Planning Policy Framework will positively impact housebuilding and Local Authorities have made good progress in preparing and submitting local plans.

The November 2017 budget included further positive measures to improve the health of the housing market. Notably this included a stamp duty cut for first time buyers, which has now benefited over 120,000 purchasers, and the £5 billion Housing Infrastructure Fund to unlock new sites for development.

While political uncertainty continues around the country's departure from the EU and ministerial changes in the Ministry of Housing, Communities and Local Government, the Board remain confident in the strong fundamentals of the housing sector and our business.

Market conditions remain good with a wide availability of attractive mortgage finance, which, alongside Help to Buy, continues to support robust consumer demand. The Group is well positioned with a substantial year-end net cash balance, healthy forward sales position and an experienced management team.

Our employees

The outstanding progress the Group has made during the year would not have been possible without the capability, passion and dedication of our Senior Management team and all of our employees, whom I would like to thank on behalf of the Board. We ensure that we reward all of our employees appropriately so that we can recruit and retain the best people whilst motivating them to continue to perform year-on-year.

To celebrate Barratt's 60th anniversary the Board wanted to recognise the contribution of employees at all levels and for the first time we granted a share award to all employees below Senior Management level, giving them the opportunity to share in the future success of the Group.

Corporate governance

The Board recognises that good, strong corporate governance is the foundation for any successful company. We continue to embed good corporate governance practices through our policies, processes and procedures across our business and seek to apply the provisions of corporate governance regulation and best practice.

New Code

In July 2018, the FRC issued the New Code. We welcome the simplicity of the New Code and the focus on building strong, transparent relationships with key stakeholders. We have already taken steps to apply some of the main changes introduced by the New Code.

Specifically we have established an employee forum to hear the views of our workforce (page 71) and we have also continued to focus on the key stakeholders whose interests will continue to be taken into account throughout the Board's decision-making process (pages 70 to 73). The Nomination Committee will continue to enhance its approach to succession planning and diversity, and the Remuneration Committee will continue to ensure that Executive Directors' remuneration is justified and takes into account the remuneration and related policies for the wider workforce. During FY19, we will assess our governance practices against the provisions of the New Code and the Guidance on Board Effectiveness and any changes proposed or made during the year will be reported on in our next Annual Report and Accounts.

Board changes

As announced on 2 October 2017, Sharon White joined the Board as a Non-Executive Director with effect from 1 January 2018. Sharon brings a wealth of public sector and public policy experience to the Board as current Chief Executive of Ofcom and having spent 25 years working in the public sector and Government. Her full biography can be found on page 59. Details of the recruitment process that we followed is set out on page 76.

Having concluded nine years of distinguished service, Tessa Bamford stepped down from the Board on 30 June 2018. I would like to thank Tessa for her constant commitment and significant contribution throughout her tenure and wish her every success for the future.

In the run up to the 2017 AGM, shareholders lodged votes against the re-election of Jock Lennox based on concerns that he was overboarded and therefore unable to commit sufficient time to his role at Barratt. In order to address shareholder concerns Jock decided to step down from his position as Audit Committee Chair and Non-Executive Director of Dixons Carphone plc with effect from 6 September 2018 and 31 December 2018 respectively.

Delivering returns for our shareholders

In accordance with the extended Capital Return Plan announced in February 2018 and the continued strong financial performance of the Group, the Board is pleased to recommend a final dividend of 17.9 pence per share (2017: 17.1 pence per share) and a special dividend of £175.0m (17.3 pence per share). We, subject to shareholder approval, will pay both the final and special dividends on 6 November 2018 to those shareholders on the register as at the close of business on 12 October 2018. The total proposed dividend for FY18, including the interim dividend of 8.6 pence per share paid in May 2018, is therefore 43.8 pence per share (2017: 41.7 pence per share).

Charitable giving

Our objective of providing people across the UK with homes they want to live in is aligned with our social commitment to giving back to the communities we live and work in. We believe it is important to support charitable causes both locally and nationally and encourage our employees in that pursuit. Each of our divisions and offices support local charities and the Group matches funds raised by our employees. Over FY18 we have raised and donated £1.2m to various charities.

We encourage all of our employees to take paid time off work to volunteer in their local communities and I was pleased to see employees across the business spend time helping their local communities, including maintaining nature reserves and volunteering at local schools. We continue to partner with the RSPB on how nature and wildlife are incorporated into our new communities.

Outlook and summary

The Group is well positioned to continue to improve its performance in future years.

I believe that we have an experienced and committed Board of Directors who continue to focus on promoting the success and long term sustainable value of the Group.

We will continue to monitor the balance of skills, experience and knowledge on the Board and ensure that it remains appropriate and relevant to drive the Group's strategy forward over the coming years.

On behalf of the Board, I thank you for your continued support and look forward to welcoming you to our AGM on 17 October 2018.

John Allan
Chairman

4 September 2018

Key aspects of our market

The UK economy and housing market

The UK economy grew at a steady rate of 1.3% in the year to 30 June 2018[1], while private housebuilding grew by 7% from Q2 2017 to Q2 2018[2]. Private housebuilding alone contributed £35.5bn to the UK economic output in the year to June 2018[2].

In August 2018, the Bank of England's MPC voted unanimously to raise the base rate of interest to 0.75%, in order to help get inflation down to its target of 2%, from 2.4% in June 2018[3]. The MPC acknowledged that further increases will be needed to meet its inflation target, however these increases are likely to be at a gradual pace and limited in extent. The three month average wage growth for the year to 30 June 2018 was 2.4%, meaning wages are remaining level with inflation having been outstripping it since January 2018[4].

The MPC also acknowledged that the economic outlook could be influenced significantly by the process of EU withdrawal, around which there continues to be a great deal of uncertainty.

The UK housing market continued to show resilience with UK residential housing transactions remaining at around 1.19 million transactions for the year to 30 June 2018, broadly in line with the prior year[5].

Despite the volume of property transactions being flat year on year, the market for new homes remains healthy with the housing market as a whole being characterised by continued strong demand and undersupply, supported by a positive lending environment and ongoing Government support.

Housing supply

The most recent available data shows a year on year increase of 12% in new build completions, with 183,570 new properties completed in England, as part of 217,350 net additions, for the tax year 2016-17[6]. Although net housing supply now exceeds MHCLG's estimated average household formation of around 210,000 per year in England, there remains a robust demand for new housing to make up for the long term shortfall seen over the past few decades. In order to keep up with projected household formation, deal with existing undersupply and start to improve affordability, the Government has set a target of building around 300,000 homes a year[7].

Obtaining implementable 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, and measures set out in the Housing White Paper and the National Planning Policy Framework propose to simplify the planning process further and to prompt local councils into producing updated local plans. 391,320 residential units received planning approval across Great Britain in the year to December 2017, a 21% increase on the previous year[8].

Blackfriars Circus SE1, consists of 336 studios, one, two and three-bedroom apartments and penthouses situated in Central London and won the 'Large Housebuilder Award' at the Brick Awards 2017.

UK average house price in June 2018[9]

£225,654

(2017: £218,390)
Source: Halifax

English new build completions 2016-17[6]

183,570

(2015-16: 163,940)
Source: DCLG

[1] ONS, Gross Domestic Product by Gross Value Added August 2018.

[2] ONS, Output in the construction industry August 2018.

[3] Bank of England Inflation Report August 2018.

[4] ONS, UK labour market statistical bulletin: August 2018

[5] HMRC UK Property Transaction Statistics June 2018.

[6] DCLG Components of housing supply: net additional dwellings England 2006-7 to 2016-17.

[7] Philip Hammond's Autumn Budget speech 2017.

[8] Home Builders Federation New Housing Pipeline Q4 2017 report.

[9] Halifax House Price Index June 2018.

Merrington Park, Spennymoor, Durham offers a mixture of two, three and four bedroom homes.

Mortgage availability and Help to Buy

Mortgage transaction volumes have increased slightly since last year, by 2.4% to 807,000 new mortgages in the year to June 2018. In the same period, first-time buyer mortgages have increased by 3.3% to 365,600. However, the buy-to-let market continues to decline, with buy-to-let mortgages down to just over half the level they were three years ago[10]. Nonetheless, average quoted household interest rates of around 2.3% (2 year fixed rate, 90% LTV mortgage)[11] suggests a favourable mortgage market that should continue to support activity in the housing market.

The Help to Buy (Equity Loan) scheme continues to be an important enabler for new housebuilding, having supported 169,102 property completions since its launch in April 2013 to the end of March 2018, 81% of which were to first-time buyers[12]. In addition, in November 2017, the Government cut stamp duty for first time buyers, who now pay nothing on transactions under £300,000, and receive a reduction of £5,000 on transactions between £300,000 and £500,000. Between then and 30 June 2018, 121,500 first time buyers claimed this relief[13].

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 continued to rise this year, although annual growth is lower than previous periods. The ONS house price index rose by an average of 3.0% per annum across the UK in the year to June 2018. The West Midlands showed the highest annual growth at 5.8%, followed by the East Midlands at 4.1%. However, the London market demonstrated some negative house price growth, with average prices falling by 0.7%[14]. According to Halifax, the UK average house price in June 2018 was £225,654[9].

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 doing our part to help address the existing undersupply in the market. The Government is committed to increasing the supply of new homes, and the Help to Buy (Equity Loan) scheme in place in England to 2021 will support an increase in new housing supply and provide certainty for both developers and purchasers. However, the nature of the UK's departure from the EU continues to present a risk of uncertainty to the UK economy in the medium term.

Our response

Our response to the market outlook is embodied in our strategic priorities, in particular:

> Customer first (page 24)

> Great places (page 28)

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[10] UK Finance Mortgage Trends update June 2018.

[11] Bank of England, Statistical Interactive Database – interest and exchange rates data.

[12] MHCLG, Help to Buy (equity loan scheme) statistics: April 2013 to December 2017.

[13] MHCLG, Quarterly Stamp Duty Statistics June 2018.

[14] Land Registry, UK House Price Index.

Chief Executive's statement

> “
> We lead the industry in the high quality of our homes and our customer service.
>
> **David Thomas**
> Chief Executive

Profit before tax

£835.5m

(2017: £765.1m)

Return on capital employed

29.6%

(2017: 29.8%)

Our results summary

It has been a strong year for the Group both operationally and financially, delivering a record profit before tax of £835.5m (2017: £765.1m), up 9.2% on the prior year and the highest number of housing completions in a decade.

Our regional business has performed particularly strongly over the year and as a result we have seen incremental improvement in operating margin of 50 bps, to 17.7% (2017: 17.2%), with both trading from new regional sites and regional mix driving improvement and our margin initiatives starting to deliver.

We have also continued to strengthen our balance sheet, ending the year with net cash of £791.3m (2017: £723.7m) and with net tangible assets of £3,705.5m (2017: £3,430.0m).

	Housebuilding	Commercial	**Total**
Total completions including JVs (units)	17,579	–	**17,579**
Revenue (£m)	4,827.0	47.8	**4,874.8**
Gross margin (%)	20.7%	15.7%	**20.7%**
Profit from operations (£m)	857.6	5.0	**862.6**
Operating margin (%)	17.8%	10.5%	**17.7%**
Share of post-tax profit/(loss) from joint ventures and associates (£m)	18.5	(0.5)	**18.0**

New medium term strategic objectives

We are very proud to not only be Britain's largest housebuilder but also lead the industry in both customer service and build quality. This is about doing the right thing for our customers, and we believe the high quality of our homes and our excellent customer service is fundamental to our ongoing success. We are building the homes the country desperately needs, creating jobs and supporting economic growth whilst also delivering both operationally and financially for our shareholders.

As previously announced, whilst maintaining our industry leading standards of quality and service, the Group is committed to delivering margin improvements, continuing to grow volumes as well as returning excess cash to shareholders. Over the last five years we have grown and strengthened the Group significantly but we believe further operational improvements can be driven through the business.

Demonstrating the Board's confidence in the business going forward we are now setting out our targets over the medium term.

Private ASP

£328,800

(2017: £313,100)

Approved land purchases

£933.9m

(2017: £957.2m)

Primary operational targets and key financial metrics

Completions	3-5% growth per annum Present business capacity of 20,000 per annum
Gross margin	New land acquisitions at minimum 23% gross margin
ROCE	Minimum of 25%

We are a national housebuilder and build homes across the country through our three brands: Barratt Homes, David Wilson Homes and Barratt London. We have grown volumes by 28.7% over the last five years to 17,579 units in 2018 (2017: 17,395 units). We are committed to disciplined volume growth to maintain quality standards and expect to grow volumes between 3-5% per annum over the medium term. We have recently opened a new Cambridgeshire division to support our volume aspirations and have capacity to grow to 20,000 annual completions under the current operational structure.

We have grown margin significantly over the last five years and this year the Group has delivered a gross margin of 20.7% (2017: 20.0%). We have achieved this growth despite continued headwinds in the high-end Central London market, reflecting our strong regional performance and as a result of our margin initiatives starting to deliver.

In 2016, the Group undertook a review of its housing ranges. The new ranges maintain our high standards of design whilst being faster to build, help us reduce build cost and waste, and are more suitable for modern methods of construction.

We continue to roll out our new housing ranges across the business with the new Barratt range now identified for 187 sites (September 2017: 132 sites) across the country and we currently have 101 sites (September 2017: 51 sites) under construction. The planned roll-out of the new product ranges will increasingly benefit margin going forward.

Our focus on driving further margin improvements through the business, and the operational improvements that we have made, including our new product range and our concentration on standardised product, are enabling us to acquire land at an increased minimum of 23% gross margin.

ROCE has grown from 11.5% to 29.6% since 2013, and we expect it to remain at a minimum of 25% over the medium term.

Operating framework and capital structure

Land bank	c. 3.5 years owned and c. 1.0 year controlled
Land creditor	Reduce usage to 25-30% of the land bank over medium term
Net cash	Modest average net cash over the financial year Year-end net cash
Treasury	Appropriate financing facilities
Capital Return Plan	2.5 x dividend cover Ordinary dividend supplemented by special returns when market conditions allow

We will continue to maintain an appropriate capital structure and a sustainable operating framework, with shareholders' funds and land creditors funding the longer term requirements of the business and with term loans and bank debt funding shorter term requirements for working capital. We expect finance costs for FY19 to be around £45m of which c. £12m will be cash finance costs.

Going forward, we expect to have modest average net cash over each financial year and be cash positive at year end. As at 30 June 2018, the Group had a net cash balance of £791.3m (2017: £723.7m), ahead of expectations, driven by strong year end trading. We expect FY19 year-end net cash to be around £550m.

We will continue to seek to defer payment for some land purchases to drive a higher ROCE. As at 30 June 2018 the Group had reduced land creditors to 34% (2017: 37%) of the owned land bank in line with guidance. At 30 June 2019, we expect this to be 30-35% of the owned land bank, and we expect to continue to reduce this further and target 25-30% of the owned land bank over the medium term.

Net tangible assets were £3,705.5m (£3.66 per share) of which land net of land creditors and work in progress totalled £3,429.8m (£3.39 per share).

Chief Executive's statement continued

Locksbridge Park offers a mixture of townhouse living and traditional build three and four bedroom homes set in the village of Picket Piece near Andover.

FY18 results review

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

The business performed well throughout the financial year and delivered against both its financial and operational targets. Market conditions remain supportive, with attractive mortgage financing and the support of Help to Buy driving strong consumer demand for our homes across the country.

We are the UK's largest housebuilder with total completions at 17,579 units including JVs (2017: 17,395), the highest number of completions in a decade. Private completions increased by 1.0% to 13,439 (2017: 13,303), affordable completions were 3,241 (2017: 3,342), and JV completions in which the Group had an interest were 899 (2017: 750).

Total ASP on completions in the year increased by 5.0% to £288.9k (2017: £275.2k), with private ASP also increasing by 5.0% to £328.8k (2017: £313.1k) benefiting from mix changes and some underlying house price inflation. Completions in our London business were ahead of expectations, with particularly strong final quarter Central London trading, resulting in a higher ASP in the second half. At 30 June 2018 we had 145 private wholly owned Central London homes remaining. As a result of this mix change, a higher proportion of our completions in FY19 will therefore be from Outer London and we would therefore expect ASP to reduce in FY19.

Our FY18 sales rate was in line with the prior year at 0.72 (2017: 0.72) net private reservations per active outlet per week in the full year and 0.77 (2017: 0.76) in the second half. During the year, we operated from an average of 380 active outlets including JVs (2017: 377).

We have delivered a 50 bps operating margin improvement for the year, driven in the main by trading from our new regional sites, regional mix and other items which accounted for margin improvement of 110 bps. We continue to increase the proportion of higher margin land completions, which accounted for 94% (2017: 92%) of the total in the year, and to trade through our legacy assets, and this has had a small positive impact on our margin. As expected we have seen a negative impact on our Group operating margin from Central London, resulting in a decrease in margin of 40 bps over the year.

Our share of profits from JVs and associates in the year for the housebuilding business decreased to £18.5m (2017: £26.5m), reflecting planned site build programmes and in line with previous guidance. As at 30 June 2018 we were selling from 12 (2017: 11) JV outlets. In FY19 we expect to deliver around 650 JV completions and our share of profits from JVs to be around £20m.

Following the Grenfell Tower tragedy, the Government commissioned independent reviews of Building Regulations and Fire Safety. The Group has undertaken a review of all of its current and legacy buildings where it has used cladding. Approved Inspectors signed off all of our buildings, including the cladding used, as compliant with the relevant Building Regulations during construction and on completion. While we are satisfied that we currently have no liability in respect of cladding, we have made a £4.0m provision for the work we have undertaken to carry out at one site to remove and replace cladding in line with our commitment to put our customers first.

Committed to building more high quality homes

As the UK's largest housebuilder we remain committed to playing our part in addressing the UK's housing shortage. We design developments which look great, meet our high quality standards, are a pleasure to live on, and will enhance local communities for years to come.

We believe our industry leadership in quality and customer service is fundamental to business resilience. That quality is recognised through the NHBC Pride in the Job Awards for site management. In June 2018 our site managers were awarded 83 awards, more than any other housebuilder for the 14th consecutive year. We are also the only major housebuilder to be awarded the maximum 5 Star rating by our customers in the HBF customer satisfaction survey for nine consecutive years.

We are always looking at new and innovative ways of sales and marketing as well as ways to provide affordable housing across the country. As part of this we have entered into a small bulk deal arrangement with a residential property provider which offers a part-buy part-rent option for its customers. In FY18 we completed on 79 homes in the North-West of England, with a further 81 homes due for delivery in FY19.

We are committed to investing in the future of housebuilding. We continue to offer a range of graduate, apprentice and trainee programmes and are one of the largest employers of apprentices in the industry. In 2013 we created the UK's first ever degree programme in housebuilding, in partnership with Sheffield Hallam University, with the first students having graduated this summer with a BSc in Residential Development and Construction. The course, designed specifically for Barratt employees, helps to address industry-wide skills challenges and support future growth. We also continue to develop, trial and implement modern methods of construction. In FY18 we built and sold over 1,900 units using Timber Frame, Large Format Block and Light Gauge Steel Frame.

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.

Land and planning

A key factor in 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 exceeded our minimum hurdle rates. The Group approved £933.9m (2017: £957.2m) of operational land for purchase in the year, which equates to 20,951 plots (2017: 18,497 plots). To support our volume growth aspirations we expect to approve between 18,000-22,000 plots per annum over each of the next three financial years.

We continue 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 our fast build and sell model. Reflecting the excellent land opportunities we have seen over the year as well as our growth ambitions, at 30 June 2018 we are slightly above this target with a 4.8 years land supply comprising 3.7 years owned land and 1.1 years controlled land, with the owned land bank including land with both outline and detailed planning consents.

At 30 June 2018, the ASP of plots in our owned land bank was £270k (2017: £265k). In FY18, 27% (2017: 25%) of our completions were from strategically sourced land and we are making good progress in reaching our medium term target of 30% of completions from strategic land, which we believe is an appropriate level for our business.

Following our success with planning over the past 12 months we are very well positioned, with all of our expected FY19 completions (2017: all of FY18 completions) having outline or detailed planning consent.

Improving efficiency and reducing costs

Improving the efficiency of our operations and controlling costs remains a key focus for the Group, as it will further enhance our margin and improve business resilience. We have launched our new cost effective housetype range but we are also seeking ways to improve efficiencies and reduce costs across the business in all areas.

We have a robust and carefully managed supply chain with around 90% of the housebuild materials sourced by our centralised procurement function manufactured or assembled in the UK. The cost of 75% of our centrally procured materials is now fixed until the end of FY19. On labour, we continue to see some pressure on skilled labour supply with shortages remaining location and trade specific. We are also improving construction efficiency and reducing the demand on labour through implementing the new housetype ranges, which are easier to build, and through the use of alternative build options such as Timber Frames, Large Format Block and Light Gauge Steel Frames. We continue to expect that overall build cost inflation for FY19 will be c. 3-4%.

During FY18, administrative expenses were slightly lower than expected at £146.3m (2017: £132.8m), benefiting from some additional sundry income during the year. In FY19 we expect to receive both lower management fees from our joint ventures and less sundry income. Accordingly, despite carefully controlling our administrative cost base, with expected underlying inflation of c. 2%, we expect net administrative expenses to be around £165m.

Wedgwood Park in Barlaston at the historic site world famous for its pottery works founded in 1759. The housing proposals formed part of an enabling scheme to help fund a major redevelopment of the Wedgwood pottery factory itself and a new visitor centre.

Commercial developments

WBD is our commercial development division. During the year WBD completed a 300,000 sq. ft. extension to a distribution warehouse it had previously built in Rochdale, together with two new specialist distribution facilities on the edge of Leicester and Nottingham, all of which were forward funded prior to starting on site. WBD also delivered a freehold design and build storage and distribution warehouse.

Commercial development revenue was £47.8m (2017: £61.1m) with an operating profit before adjusting items of £8.0m (2017: £10.2m). After charging a £3.0m (2017: £8.8m) provision against legacy commercial properties, we recognised an operating profit of £5.0m (2017: £1.4m).

Health and safety

The health and safety of our people, contractors, customers and the general public remains the Group's number one priority.

Increased activity levels across the industry in terms of site openings and production volumes combined with shortages of skilled workers has contributed to an increased risk of accidents on sites. We remain fully committed to the highest standards of health and safety on our sites. In the year, our reportable injury incidence rate has increased with 462 (2017: 379) reportable incidents per 100,000 employees. We have already undertaken a review into factors that have contributed to this increase and will be working with our management teams to drive improvements in the prevention of injuries.

Reflecting our ongoing commitment to health and safety, nine of our site managers were awarded the prestigious 'highly commended' status at the annual NHBC Health and Safety Awards, and our site manager at Ness Castle, Inverness was awarded the National Award in the Large Builder category.

Capital Return Plan

The Board proposes to pay a final ordinary dividend of 17.9 pence (2017: 17.1 pence) per share for the financial year ended 30 June 2018, which subject to shareholder approval, will be paid on 6 November 2018 to shareholders on the register at the close of business on 12 October 2018. Together with the interim ordinary dividend of 8.6 pence per share, which was paid in the year, this gives a total ordinary dividend for the year of 26.5 pence per share (2017: 24.4 pence per share). With basic earnings per share of 66.5p (2017: 61.3p) the ordinary dividend is therefore covered around two and a half times by earnings, in line with our ordinary dividend policy.

Under the special cash payment programme the Board is proposing a payment of £175m (17.3 pence per share), which subject to shareholder approval, will be paid by way of a special dividend on 6 November 2018 to shareholders on the register at the close of business on 12 October 2018.

We have a well-defined ordinary dividend policy with the Group paying an ordinary dividend cover of two and a half times. We have previously announced that when market conditions allow, ordinary dividends will be supplemented with special dividends and in February 2018 the Board proposed to extend the special dividend and pay dividends of £175m in November 2018 and 2019.

Whilst the Board propose no change to the existing arrangement to pay the special dividend of £175m in November 2018, it has reviewed the mechanism for delivering the £175m cash return to shareholders in November 2019 and any future special dividends beyond the current commitment period. The Board believes that at times there are differences between market valuation and both underlying market conditions and the strength of our business.

As a consequence, the Board is proposing to introduce flexibility to this policy such that the £175m cash return proposed in November 2019, and any future special returns, can be made through a combination of share buybacks and special dividends, as opposed to solely special dividends. Whilst the payment of special dividends represents the Board's preferred method of returning excess capital to shareholders, this recognises that at certain share price points, share buybacks will be in the best interest of shareholders.

The Company will consult with shareholders on any consequential changes required to the LTPP prior to the 2019 AGM.

The Board believes that this will ensure that the Company's shareholders fully benefit from the underlying value of the business which at certain price points is not reflected in the market valuation.

Capital Return Plan	Ordinary dividend £m	Special dividend £m	Total Capital Return £m	Total pence per share
Paid to date[B]	667.6	399.7	1,067.3	106.1p
Proposed payment				
November 2018	181.1[D]	175.0	356.1	35.2p[D]
Year to November 2019	277.2[C,D]	175.0	452.2	44.7p[D]
Total proposed payment	458.3[C,D]	350.0	808.3	79.9p[D]
Total Capital Return Plan	1,125.9	749.7	1,875.6	186.0p[D]

A All ordinary and special dividends are subject to shareholder approval. The fourth special dividend will be subject to shareholder approval at the Annual General Meeting in October 2018 and subsequent special dividends will be subject to shareholder approval.

B Comprises FY15 interim dividend of 4.8 pence per share (£47.5m), FY15 final dividend of 10.3 pence per share (£103.1m), FY15 special dividend of 10.0 pence per share (£100.0m), FY16 interim dividend of 6.0 pence per share (£60.1m), FY16 final dividend of 12.3 pence per share (£123.6m), FY16 special dividend of 12.4 pence per share (£124.7m), FY17 interim dividend of 7.3 pence per share (£73.4m), FY17 final dividend of 17.1 pence per share (£172.9m), FY17 special dividend of 17.3 pence per share (£175.0m) and FY18 interim dividend of 8.6 pence per share (£87.0m).

C Based on Reuters consensus estimates of earnings per share of 68.4 pence for FY19 as at 31 August 2018 and applying a two and a half times dividend cover in line with previously announced policy. This consensus estimate is provided for illustration purposes. No member of the Group nor any of their respective directors, officers or employees: (i) has commented on the consensus estimate, (ii) endorses the consensus estimate, or (iii) accepts any responsibility whatsoever for the accuracy of the consensus estimate and shall accordingly have no liability whatsoever in respect of the consensus estimate.

D Based upon 30 June 2018 share capital of 1,011,791,077 shares for proposed payments.

Current trading and outlook

In the first nine weeks of the financial year, the Group has achieved net private reservations per average week of 264 (FY18: 265), resulting in net private reservations per active outlet per average week of 0.75 (FY18: 0.74), with the particularly strong rate benefiting from reservations on two bespoke design and build arrangements.

Forward sales (including JVs) up 11.1%, as at 2 September 2018 at £3,054.0m (3 September 2017: £2,749.9m), equating to 12,648 units (3 September 2017: 12,160 units).

	2 September 2018		3 September 2017		Variance £m
Forward sales	**£m**	**Units**	£m	Units	%
Private	**1,650.4**	**5,273**	1,722.3	4,994	(4.2)
Affordable	**1,013.1**	**6,592**	749.0	6,260	35.3
Wholly owned	**2,663.5**	**11,865**	2,471.3	11,254	7.8
JV	**390.5**	**783**	278.6	906	40.2
Total	**3,054.0**	**12,648**	2,749.9	12,160	11.1

We continue to make good progress in trading through our Central London sites and now have 118 wholly owned private units remaining, of which 77 are reserved. We have three joint ventures in Central London, one of which is Fulham Riverside. On 30 August 2018, the Group completed a deal for the sale of 162 units at our Fulham Riverside site to Riverstone Living. The deal is for the development of retirement units and anticipated to be completed in FY21.

This has been another outstanding year for the Group and we have started the new financial year in a good position, with £791.3m year-end net cash and a healthy forward order position.

We deliver industry leading quality and customer service, and have a talented and committed workforce whose outstanding contribution drives our success. I am proud to lead our first class team who are all determined to build on our outstanding operational and financial performance.

In FY19 we are focused on our new medium term targets, being a land acquisition hurdle rate of a minimum 23% gross margin, volume growth of 3-5% and a minimum 25% ROCE, whilst continuing to lead the industry by building the highest quality homes across the country.

David Thomas
Chief Executive
4 September 2018

Our Strategic priorities

Our vision is to lead the future of housebuilding by putting customers 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.

We believe that a strongly performing business benefits from a focus on its wider priorities. Each of these priorities has a work plan to drive improvements across the business and they are supported by both a set of principles and by financial discipline which underpins all of our operations. The sustainability issues that matter most to our stakeholders are integrated into the way we work and help us to deliver long term sustainable value.

Our priorities

Customer first

- Understanding our customers
- Customer satisfaction
- Best in class
- Efficient homes

+ See page 24

Great places

- Securing best land
- Planning
- New housing ranges
- Designing great places

+ See page 28

Leading construction

- Waste reduction
- Quality homes
- Efficiency
- Supply chain

+ See page 32

Investing in our people

- Skills shortage
- Retention
- Training
- Diversity

+ See page 36

Leading the future of housebuilding

Our principles

Keeping people safe

+ See page 40

Being a trusted partner

+ See page 41

Building strong community relationships

+ See page 42

Safeguarding the environment

+ See page 43

Ensuring the financial health of our business

+ See page 45

Priorities and principles in action

Customer first

The challenge

Britain needs more homes to address its housing shortage. There is continued demand in the market, good mortgage availability and an under supply of new homes.

Whilst the industry needs to increase volumes, it must maintain customer service and build quality whilst addressing industry wide skills challenges.

Strategic priority

The quality of our homes and our high levels of customer service are key to our ongoing success. We seek to anticipate our customers' evolving needs by continuously improving the homes and places we build.

Image: The Smart family purchased their new home at Oakfield Village, the brand new garden city inspired development in Aylesbury.

Progress in FY18

Only major national housebuilder to be awarded the maximum HBF 5 Star status for nine consecutive years

Continued investment in our customer journey

Further investment in customer service training across the business

KPI

HBF 5 Star homebuilder

★★★★★
5 STAR HOME BUILDER
CUSTOMER SATISFACTION
HBF
2018
HOME BUILDERS FEDERATION

Why we measure

- Customer satisfaction is fundamental to the business.
- HBF Homebuilder survey is an industry recognised, independently measured indicator of our customer service and build quality.

Objectives

Continue to deliver high quality homes and developments

Use insight gained from customers to drive continuous improvement to our policies and procedures

Improve the capability of our teams through training and development

Develop automated solutions to improve the speed and consistency of our service delivery

Create sustainable, energy efficient places to live that satisfy the needs of customers and communities

Customer first

We are a 5 Star housebuilder

Over 90%

of our customers would recommend us to friends and family

Understanding our customers

We place customers at the heart of everything we do and the first stage of this is to get detailed understanding of their requirements. To support this, we have developed a rigorous programme of research to gather insight at every stage of our customer journey. This provides insight into our marketing, sales, customer service, product design and development layouts. We are committed to acting on our customers' feedback to drive improvements and inform decision making, to ensure we are responding to our customer needs and positioning the business going forward.

We also undertake extensive local market research when we buy land and have dedicated, local specialists to ensure we are building the right houses in the right areas for our customers. We are focused on providing appropriate infrastructure and facilities to satisfy customer needs, so we are building homes which our customers want to buy and are satisfied with once they move in. This increases our business resilience as we are building the right homes and developments for our customers of the future.

Customer satisfaction

Customer satisfaction is a key performance indicator for our business, it is embedded from site through to divisional and Group performance and is reviewed weekly at all levels. Our focus on high levels of service is not only positive for our customers, it provides earnings sustainability, reduces the cost of customer after-sales care and ensures that excellent operational processes are in place. All of our teams 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.

In 2018, we achieved the maximum HBF 5 Star homebuilder award for the ninth consecutive year which means that over 90% of our customers would recommend us to friends and family. We are focused on not only maintaining this award for the 10th consecutive year in 2019, but continue to drive further improvements through the business by developing automated, streamlined processes and refining our quality control inspections.

Best in class

We know that our people are key to providing an excellent customer service experience. We therefore continue to invest in training and development programmes for our Construction, Sales & Marketing and Customer Care teams to ensure they remain best in class. We have also continued our relationship with the NHBC to deliver a joint training initiative for our Customer Care teams which ensures that any issues which occur after customers move in are dealt with as quickly and efficiently as possible.

We place customers at the heart of everything we do. All of our teams are responsible for delivering customer satisfaction.

Stuart Skeet and Mittra Monteiro with site manager Ben Davis at our White Horse View site in Westbury. The couple were delighted with the service they received, "Barratt is a 5 Star housebuilder, so we knew we were in good hands – but the service we have received has been truly exceptional."

Energy efficiency

To increase energy efficiency, reduce carbon emissions and lower energy costs for our customers, we follow a 'fabric first' approach to building design which maximises the performance of the components and materials that make up the building fabric itself, before considering the use of mechanical or electrical building services systems. A 'fabric first' approach includes higher levels of insulation, higher performing windows and doors, increased air tightness and maximising passive solar gains. We continue to review and apply new technologies that help deliver energy efficiency such as waste water heat recovery, improved insulation around windows and doors and energy efficient boilers. As a result, 98% of our standard housetype range currently in use are designed with the intention to meet an EPC rating of 'B' or above when constructed. This makes them eligible for the Barclays Green Home Mortgage product, introduced during this year to provide an interest rate discount and additional incentive for customers to purchase an energy efficient home. When customers occupy their new homes they receive a guide to its sustainability features.

All these measures we are undertaking are not only helping us safeguard the environment but are also positive for the customer in reducing their ongoing energy costs.

Building the right homes and developments for our customers

Fairfields, Milton Keynes

Fairfields is located on the North-West side of Milton Keynes, offering a full market mix of houses ranging from one to five bed homes. Situated close to the market town of Stony Stratford and a short drive away from central Milton Keynes. Fairfields has great accessibility to major towns and cities from the train station, is close to major road links and is located in an area where the supply of new homes are desperately needed over the medium term.

Addressing local needs

Ideal for families and first time buyers

A wide range of amenities at nearby Stony Stratford

New Fairfields Primary School open

Providing extensive local infrastructure

Accessibility

5 airports within a 90 minute drive

Easy access to the M1 and the A5

Central London in 33 minutes via rail

Priorities and principles in action continued

Great places

The challenge

The future of our business depends upon securing the right land in areas where quality homes are most needed whilst exceeding our investment hurdle rates.

Strategic priority

Our priority is building long term relationships to secure good value land and planning consents 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.

Image: Marston Fields is a development of three, four and five bedroom homes in the village of Marston Moretaine near to Milton Keynes which has excellent transport links.

Progress in 2018

Land market remained attractive throughout FY18

Detailed or outline planning permission on all of our FY19 expected completions and 93.7% of FY20 expected completions

Increased proportion of completions from strategic land

Roll-out of our new housing ranges underway

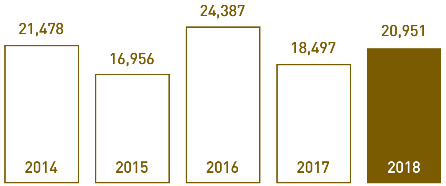
KPI

Owned and controlled land bank

4.8 years

2017: 4.5 years

Land approved for purchase (plots)



Target

20,000 plots approved for purchase

Status: **Achieved**

Why we measure

- Monitors that the Group is approving an appropriate amount of land for purchase to support future business activity.
- Ensure land is approved at minimum hurdle rates.

Objectives

Maintain 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

Continued roll-out of the new housing product ranges across the country

Medium term target to increase the percentage of completions from strategic land to 30%

Continue to be recognised for designing great places which enhance local communities. All completed developments to achieve our Great Places 'Silver' rating by 2020

Seek to create a net positive impact on biodiversity and ecology across all new developments where there is no prior planning permission from 2020

Great places

Placemaking principles are fundamental to our business: our customers want to live in great places, and the vendors of the land we purchase want to work with developers who leave behind a positive legacy of design quality.

ROCE on completed sites acquired since 2009

34.7%

(2017: 35.7%)

Acres of strategic land

12,435

(2017: 11,737)

Securing land

We continue to see high quality land opportunities across the country. We have highly specialised divisional land teams with extensive local knowledge and strong relationships with landowners. This combined with detailed research into local market conditions means we are able to secure land, which can drive higher returns for our business. We target locations where we can provide housing the local communities desperately need, with good access to transport and local amenities. This ensures strong customer demand for our developments going forward. Our land buying also reflects Government policy towards affordable housing and first-time buyers.

We continue 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. At 30 June 2018, we achieved this target with a 4.8 years land supply (excluding JVs) comprising 3.7 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 2018	Year ended 30 June 2017
Total	**£933.9m**	£957.2m
Total (plots)	**20,951**	18,497

In FY18, we approved the purchase of 20,951 plots, up 13.3% on the prior year. This reflects the excellent land opportunities we are seeing across the country and is supportive of our ambitions of disciplined volume growth over the medium term.

We continue to increase our proportion of completions from higher margin strategic land and are targeting 30% of completions in the medium term. We continue to see many high quality strategic opportunities in the areas where we want to build and approved the purchase of another 579 strategic gross acres in FY18. In the year, 2,788 plots (2017: 6,757 plots) were transferred from strategic land to our owned land bank and 27% of our completions (2017: 25%) during the year were from strategically sourced land.

We use land creditors to defer payments for land acquisitions where appropriate to drive a higher ROCE and as at 30 June 2018, the land creditor position totalled £996.7m (30 June 2017: £1,064.0m) representing 34% (30 June 2017: 37%) of the owned land bank. At 30 June 2019, we expect this to be between 30-35% of the owned land bank, however, we seek to reduce this further and target 25-30% of the owned land bank in the medium term.

Effective planning permission

Bringing land through the planning system quickly and into production is important to support our business objectives. The new NPPF published in July provides confidence that the planning system will continue to provide a strong supply of consented units into the land market. In particular, the Housing Delivery Test and new standardised approach assessing housing needs will drive up the levels of planning consents in some strong market areas where housing delivery has to date been restricted due to a low land supply.

However, whilst the increasing supply of consented land is positive it often takes too long after planning consent is granted to discharge the planning conditions to enable building to start. We are hopeful that recent and forthcoming regulations on this matter will assist.

We have maintained good momentum in achieving planning consents and during the year we secured planning on 16,997 plots (2017: 19,861 plots). We now have detailed or outline planning permission in place for all of our expected completions in FY19 and 93.7% of expected completions in FY20.

Designing great places

Placemaking principles are 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 positive legacy of design quality and local people want developments that enhance their communities.

We are focused on placemaking throughout our business and use our internal 'Great Places' design standards, assessing every development against these at the pre-application stage. These design standards are aligned with Government endorsed standards for creating well designed residential places and we run annual awards to recognise our best developments.

Our approach goes far beyond the design of individual homes. We consider how each development will reflect and enhance the character of the local area and how houses relate to the surrounding spaces within and beyond the development. We consider how communities will function at our developments and the long term environmental, social and economic impacts of the way people live. We 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. During the year we completed our market research amongst customers and stakeholders on two of our developments to understand the impact of our placemaking capability. The output demonstrated the significant positive impact this has on the perception of our brands and quality of development.

We have recruited an in-house Group Ecology and Biodiversity Manager to help us further embed positive engagement and consistent good practice approaches across the business.

New housing ranges

In 2016, the Group undertook a review of its Barratt and David Wilson housing ranges. The new ranges maintain our high standards of design whilst being faster to build, help us reduce build cost and waste and are more suitable to modern methods of construction. Improvements to the designs include simplifying build by removing bay windows and 'lightboxes' from the majority of our Barratt homes as well as reducing roof pitches. We have also increased standardisation across the Group in terms of components such as front doors and window frames. These changes have minimal impact to the customer experience but significantly increase build efficiencies, both in terms of material and labour costs. We have also significantly reduced the number of different housetypes for both our Barratt and David Wilson brands.

Another benefit of the new housing ranges is that they are easier to plot, and we also released new plotting guides with the launch of the product. This means we are able to plot on our sites more efficiently and have specific 'occasional' housetypes for unusual plots such as corners or end of terrace. We are now able to build more houses per acre without compromising the development by overcrowded housing or unsightly street scenes. Urban Design considerations have also been considered to provide housetypes that account for all site situations, ensuring 'Great Places' can always be achieved.

The new range is being well received by customers and contractors alike. Customers are positive about new design features, such as more open-plan living areas, whilst contractors like the simpler designs and footprints as they are less complex, making them easier and quicker to build.

We continue to roll out the new housing ranges across the business with the new Barratt range now planned for 187 (2017: 132) sites across the country and we currently have 101 (2017:51) sites under construction. The planned roll-out of the new product ranges will increasingly benefit margin going forward.

Our land bank

	30 June 2018	30 June 2017
Owned and unconditional land bank (plots)	**61,504**	58,965
Conditionally contracted land bank (plots)	**17,928**	16,078
Owned and controlled land bank (plots)	**79,432**	75,043
Number of years' supply based upon completions in the financial year	**4.8 years**	4.5 years
JV owned and controlled land bank (plots)	**5,137**	5,709
Strategic land (acres)	**12,435**	11,737
Land bank carrying value	**£2,963.4m**	£2,895.6m

Enhancing biodiversity on site

Kingsbrook

Enhancing biodiversity is important to us in both protecting our environment for future generations and in creating Great Places to live for our customers today. Kingsbrook in Buckinghamshire is one development where we are actively working with the RSPB to enhance biodiversity on site. It's also one of our largest developments, due to deliver some 2,450 homes over ten years centred around three villages. In and around the first village, Oakfield, installation of wildlife friendly features is well underway.

Hundreds of native trees have been planted as well as the first community orchard for the development. The roadsides are lined with hundreds of metres of new hedging and there is bat-friendly street lighting. The first roadside verges have also been planted, but not with conventional grass, instead with native wild flowers for bees and butterflies.

There are green corridors which extend through the developments, together with hedgehog highways so that wildlife, including frogs and newts, can move from garden to garden with ease. We have also installed 45 newly designed swift nesting boxes in homes in FY18 to help conserve this species, numbers of which have halved in 20 years, as they return to the UK to breed every summer.

The Igloo Hedgehog House provides hedgehogs and other mammals with a safe haven as a covered feeding station or place to hibernate.


GROVE

Leading construction

The challenge

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

Strategic priority

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

Image: We have developed an offsite garage solution with our partner Tarmac and have successfully piloted on two sites.

Progress in FY18

- Focused on a 'right first time' approach to drive operating efficiency
- Long term relationships with suppliers and sub-contractors
- Trialling and implementing new construction methods (Large Format Block, Light Steel Gauge Frames and increasing production with timber frame)
- Reduced construction waste intensity to 6.06 tonnes per 100 sq. m., a reduction of 1.9%
- 97% of waste diverted from landfill (2017: 95%)

KPI

Total completions including joint ventures (units)

17,579

2017: 17,395

Target

Disciplined growth in completion volumes

Status: **Achieved**

Why we measure

- > Reflects activity and growth of the business.
- > Method by which business capacity is monitored.

Objectives

- Modest growth in wholly owned completion volumes
- Continue to lead the industry in site management
- 20% of units using offsite construction techniques by 2020 and continue to develop and trial modern methods of construction
- Maintain and develop sustained business partnerships with suppliers and sub-contractors
- To reduce construction waste intensity (tonnes per 100 sq. m. build) by 20% by 2025 (compared to FY15 baseline)
- Reduce carbon intensity from our construction operations, sites and offices, and business mileage by 10% by 2025 (compared to FY15 baseline)

Leading construction

We put customer satisfaction at the heart of our construction processes with a focus on getting it right first time, which also drives operating efficiencies in the build process. We need to increase build efficiency while maintaining safety and quality standards and responding to skills shortages.

NHBC Pride in the Job Awards for our site managers for 2018

83

(2017: 74)

Delivering high quality homes

We remain focused on delivering high quality homes from well managed sites and continue to lead the industry, winning 83 (2017: 74) NHBC Pride in the Job Awards. This is the 14th consecutive year that we have won more of these awards than any other housebuilder, making us the clear industry leader in site management. Furthermore, the site manager at our Forest Chase, Leicester development, Henry Patecki, was awarded the coveted National Supreme Award in the Large Builder category in FY18. Delivering high quality homes is a key priority for business resilience going forward in attracting ongoing customer demand for our homes. Meanwhile contractors prefer to work on well managed sites, helping us attract the skills we need. Well managed sites also keep people safe, the number one priority for the business.

Innovating to improve efficiency

The need to build more homes more efficiently in Britain requires innovative approaches that enable us to respond to skills and materials shortages, maintain safe working environments and continue to produce high quality homes for our customers, whilst delivering returns for our investors.

Technologies new to Barratt go through a rigorous New Product Introduction testing and analysis process before full implementation. Studies are conducted with a number of key stakeholders including the NHBC, BBA, TRADA and UK Finance, who add a further level of analysis, factoring in any implications for mortgages, insurance and customer satisfaction.

We remain focused on helping to address the skills shortage facing the industry and one way in which we are doing this is through continuing to invest in trials for modern methods of construction. During the year, we have taken our pilot trials of Large Format Block, Light Gauge Steel Frame and Offsite Insulated Ground Floors and applied them to a number of sites across our Group. In FY18, we delivered over 1,900 units using modern methods of construction including timber frame. These methods are more efficient to put together than traditional construction methods, reduce our reliance on certain sub-contractor trades and allow consistent flow of delivery. We continually assess innovative construction methods and successful trials have continued on two sites delivering offsite garages with our partner Tarmac. A roll out of this innovative offsite garage solution both by us and the broader industry would significantly help reduce demand on bricklayers in short supply.

Henry Patecki, winner of the National Supreme Award in the Large Builder category in FY18.

The new housing ranges have also been designed to allow for greater integration with modern methods of construction. The advantages here, among others, include certainty of programme, build quality, reduction of waste and speed of build.

The drawings and plans for the Barratt range of homes have been completely transferred to new cutting edge software to support our push towards intelligent drawings and Business Information Modelling. The new software will allow our drawings to have functionality which can support easier management of drawings and more detail on site.

We are constantly engaging with our suppliers to find, understand and consider innovative products and services that can be used to increase our efficiency on site whilst still maintaining our high quality and customer satisfaction requirements.

Waste and resource efficiency

It is important that we continue to focus on our waste and resource efficiencies from an environmental and social responsibility perspective, however, it is also beneficial to the business in reducing costs and addressing materials shortages. As a growing industry the demands on materials are high and any reduction in waste material can help reduce these demands.

Barratt has successfully reversed a trend in rising construction waste intensity – the amount we create for each 100 sq. m. built on construction sites. This has been achieved through prioritising waste tonnage reduction, in partnership with our waste management contractor, and identifying ways to design out waste, in addition to continued rigour on waste segregation and recycling.

By being more efficient in skip utilisation and segregation, we have increased our diversion of waste from landfill to 97% (2017: 95%), and construction waste intensity continues to fall this year to 6.06 tonnes per 100 sq. m. (a 1.9% reduction and 14.5% reduction compared to baseline in FY15). Our plan is focused on standardisation to design out waste, employee engagement particularly commercial and site construction teams, and supplier engagement.

Our multi-functional waste reduction project team, sponsored by our Chief Operating Officer, drives progress quarterly. Given our early achievement of our 2020 target last year we have set a new target to reduce our waste intensity on FY15 levels, by 20% by 2025.

We continue to action findings from our 2016 waste analysis study at Saxon Gate, near York, including reinforcing efficient installation of insulation, improving kitchen design specifications, and reducing wasted timber joists through the use of a reusable stairwell protection system across seven divisions. We have undertaken workshops with our suppliers to identify priorities for reducing lightweight mixed packaging waste and have trialled the removal of plastic wrapping from timber trusses over the summer months.

Partnering with our supply chain

We have a centralised procurement team which has built long term relationships with our suppliers. Managing and building long term, successful partnerships are essential in a growing industry which has continued demand pressures on certain materials and in ensuring security of supply. Working closely with our suppliers also ensures the consistency of specification and technical performance of the materials used in our homes. We also use many local sub-contractors in the construction of our homes, with whom our divisions partner at a local level to ensure the availability of the skilled trades that we require. Further details on how we are focused on being a Trusted Partner can be found in Our Principles on page 41.

Our non-financial KPI to achieve HBF maximum 5 Star customer satisfaction is consistent with our commitment to achieving the highest legal and ethical standards. It is our policy to conduct business in a fair, honest and open way, without the use of bribery or corrupt practices to obtain an unfair advantage. All employees are required to undertake training on these matters.

	Estimated waste savings	
Waste reduction project	FY17	**FY18**
Plasterboard sized to reduce off-cuts (tonnes)	487	**621**
Pallets salvaged and re-used (number)	232,911	**251,406**
Paint tin recycling (number)	11,134	**15,193**

Construction waste intensity (tonnes per 100 sq. m.)

	FY15	FY16	FY17	**FY18**	2025 Target
Waste intensity	7.09	7.11	6.18	**6.06**	5.67

Construction waste diversion from landfill (%)

	FY15	FY16	FY17	**FY18**	Ongoing Target
Diversion from landfill	95	95	95	**97**	95

Improving safety and designing out waste through innovative stairwell protection

The Wellsafe system brings health and safety benefits in terms of providing a safe platform which covers the stairwell opening whilst construction continues. This gap is traditionally covered by what are known as 'sacrificial joists' to form a temporary section of the first floor. The system removes the risk of falls whilst sacrificial joists are removed, reduces waste and provides a surface on which loads can be imposed, such as fall protection whilst installing roof trusses.

When the staircase is fitted, these joists are removed and disposed of which amounts to around 72 kg of timber waste for the average three bedroom home.

After challenging our suppliers to develop new means to protect stairwells we tested prototypes for two of the best in a factory environment, ensuring they could meet loading and design requirements. Trials then took place with both Barratt and our suppliers ensuring the systems were optimised. Staircraft's Wellsafe system was chosen as the preferred solution.

In FY18, the Wellsafe system has been used to complete 493 homes, avoiding 35.5 tonnes of timber waste from sacrificial joists.


BARRATT HOMES
IM360Ci

Priorities and principles in action continued

Investing in our people

The challenge

Skilled workers leaving the construction industry during the financial crisis, alongside an ageing workforce, has led to a significant skills shortage. As the volume of new housebuilding increases there needs to be a focus on bringing more people into the industry from a more diverse range of sources.

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.

Image: One of our FY18 apprentice carpenters, Helen Ward Thorpe, working on site in the West Midlands.

Progress in FY18

We now have 429 apprentices, graduates and trainees on programmes or full time education, around 7% of the workforce

Maintained upper quartile performance in our engagement survey

Reduced employee turnover

Rolled out Diversity and Inclusion training across the business

KPI

Upper quartile employee engagement[1]

79%

(2017: 78%)

Why we measure

- To gain an insight of, and provide a forum for, employee views.
- To retain and invest in the best people and focus on their development and success.

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1 Assessed against the UK all sectors comparator group by IBM Kenexa.

Objectives

Provide a safe working environment for all our employees and sub-contractors

Maintain upper quartile UK FTSE 250 performance in our engagement survey

Seek to reduce employee turnover to 15% or below by 2020

Maintain our intake of apprentices

Maintain an average of at least four training days per employee per year

Investing in our people

Investing in our people

As the UK's largest housebuilder we are dedicated to playing our part in addressing the industry wide skills challenges. A shortage of skilled workers in our sector means that attracting and retaining the best people is a priority for the business and we are committed to the development of our people in order to drive our success. We are building a diverse and inclusive workforce that reflects the communities in which we operate, delivering excellence for our customers by drawing on a broad range of talents, skills and experience. All of our employees are, as an absolute minimum, paid in accordance with the UK Living Wage.

Training days per employee

4.0

(2017: 4.5 days)

Number of new apprentices, trainees, and graduates recruited during FY18

204

(2017: 184)

Employee retention

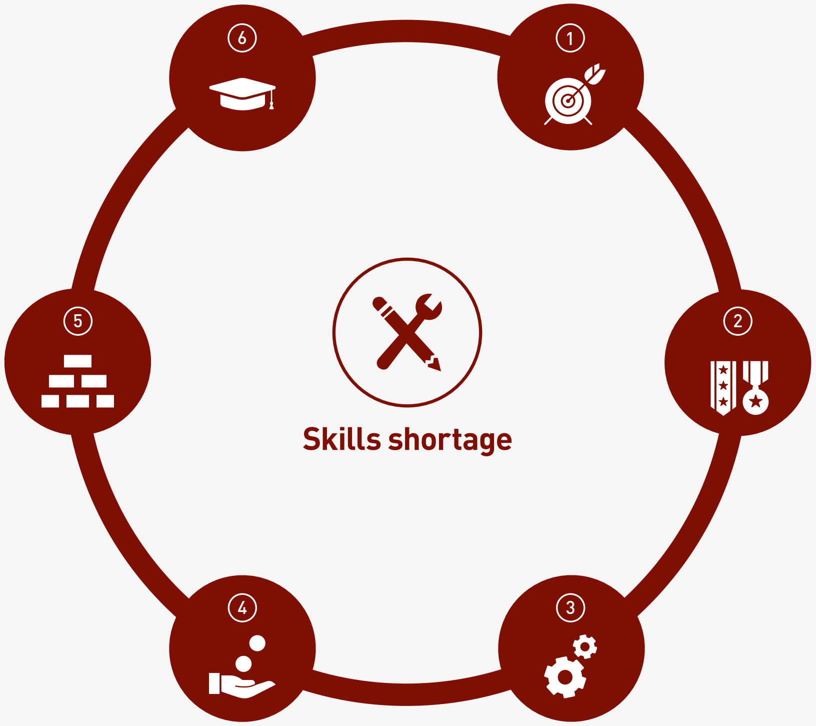
During the year, employee turnover decreased by 1% to 17% (2017: 18%). There continues to be a significant demand and multitude of opportunities for skilled employees elsewhere in the industry. It is therefore even more important to continue to focus upon developing talent within our business, including 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 are effective.

Recruiting the talent of the future

We continue to develop a number of schemes to help address the industry wide skills shortages and in FY18 we have recruited 204 new apprentices, trainees, and graduates. Our schemes focus on not only bringing new talent to the industry but also in retaining it for the future. In 2013, we created the UK's first ever degree programme in housebuilding, in partnership with Sheffield Hallam University, with the first students having graduated this summer with a BSc in Residential Development and Construction. The course was designed specifically for Barratt employees. In response to the Government's Apprenticeship Levy scheme, we have worked with the HBF, Federation of Master Builders, and housebuilding peers on the programmes to develop new apprenticeship standards for apprenticeship levels 3–6. We have also worked closely with our Apprentice champions to ensure our programmes deliver quality tradespeople who want to work in the industry and our 12 month completion rate continues to rise reaching 82% (2017: 79%).

We continue to expand on our successful ex-forces personnel site management training programme. This Armed Forces Transition programme recently won Best Talent Development programme at the 2017 Training Journal Awards. Including the upcoming intake of trainees we will have recruited around 100 construction trainees via this route, some of whom had little or no construction experience and they are proving to be outstanding leaders.

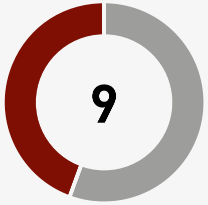
How we are addressing the skills shortage



1. Apprenticeship Programme
2. Armed Forces Transition Programme
3. Training existing employees; succession planning; Rising Stars event; Academy & Leadership Programmes; new Learning Management System
4. Focus on remuneration and benefits to improve retention (improved family friendly policies last year)
5. Collaboration with wider housebuilding industry and utilising MMC
6. ASPIRE graduate scheme and sponsored construction and commercial degree

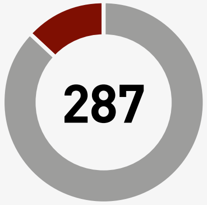
Men and women employed

PLC Directors



	30 June 2018	30 June 2017
● Men	**56%**	62%
● Women	**44%**	38%
Men total	**5**	5
Women total	**4**	3

Senior Managers

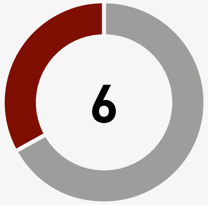


	30 June 2018	30 June 2017
● Men	**87%**	87%
● Women	**13%**	13%
Men total	**251**	244
Women total	**36**	37

Employees

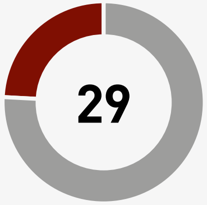
	30 June 2018	30 June 2017
● Men	**69%**	69%
● Women	**31%**	31%
Men total	**4,152**	4,076
Women total	**1,882**	1,828

Executive Committee



	30 June 2018	30 June 2017
● Men	**67%**	67%
● Women	**33%**	33%
Men total	**4**	4
Women total	**2**	2

Reports to Executive Committee



	30 June 2018	30 June 2017
● Men	**76%**	72%
● Women	**24%**	28%
Men total	**22**	21
Women total	**7**	8

We actively participate in the Home Building Skills Partnership which aims to attract new entrants to the industry, providing the skills for today and the future, and supporting the supply chain in attracting and developing the skills they need to support our industry.

Equipping the business with the relevant skills

We continue to expand on our Academy and Leadership programmes this year introducing a new 'Rising Stars' programme for those who are seen as being our leaders and managers of the future. We have now also introduced a new learning management system enabling us to provide enhanced learning and development for all our employees. Our Construction and Sales Academy programmes continue to expand with the introduction of refresher and advanced selling skills for our sales teams as well as the introduction of an internally delivered NHBC accredited warranty programme.

Diversity

We are committed to delivering our Diversity and Inclusion Strategy and we have an active working party in this area. We have identified broad targets in areas such as gender and ethnicity and our aim is to improve our diversity and inclusion in all areas over the next three years. We recognise that flexible working can help us retain talented employees and can be particularly beneficial for those with caring responsibilities and our divisional offices now operate a more flexible approach to working.

The diversity policy relating to the appointment of PLC Directors is set out on page 77.

In March 2018, we published our Gender Pay Gap report. The report identifies that as a Group, our mean pay gap stands at 1.3% and our median pay gap at 1.6%, which is low compared to the gender pay gap across the UK of 17.4%. Our mean bonus gap stands at 39.7% with our median bonus gap at -6.2%. Our negative median bonus gap exists because our sales team, which has a high proportion of female employees, have pay structures which include a significant bonus percentage.

The figures in our report reflect that we have a higher proportion of men working in our business, in particular men in more senior roles. The charts show the number of men and women employed, as at 30 June 2018, across our business. Also shown is the split between men and women on the Executive Committee in line with the requirements of the Hampton-Alexander review.

We are committed to improving the male/female ratio across our business through our Diversity and Inclusion Strategy. Over the past year, we have made important changes to our family friendly policies to better support our colleagues, and have seen returners from maternity leave increase to 83.6% in FY18 compared to 73.5% in FY17.

All of our divisional management teams have attended Diversity and Inclusion training workshops, with further training being rolled out to all employees this year. We will be launching a new career development programme for female employees in FY19, including a mentoring scheme and will be introducing a working mothers recruitment campaign.

We will continue to work hard to close our gender pay gap and ensure that we build a diverse, inclusive and attractive working environment for all our employees.

Human rights

Our respect for human rights underpins our strategic priorities and is an embedded principle. We have policies and procedures in place that support the core values of the United National Universal Declaration of Human Rights, and ensure we act in accordance with our principles in relation to diversity and the Modern Slavery Act 2015.

Our non-financial KPIs in respect of Health and Safety and Employee Engagement reflect our belief that it is a fundamental human right of our employees to work in a safe and supportive environment. In addition, employees undertake training in respect of modern slavery and we are in the process of rolling out Diversity and Inclusion training to all employees.

Keeping people safe

Our principle

Health and safety is our number one priority and 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.

Key highlights

Achieved target health and safety compliance rate

Reportable Injury Incidence Rate increased to 462 (2017: 379) per 100,000 employees including sub-contractors

The challenge and our response

Increased activity levels across the industry in terms of site openings and production volumes combined with shortages of skilled workers has contributed to an increased risk on our sites. We maintain stringent standards and have a continuous focus on health and safety with all areas and levels of the business focusing upon it as their number one priority. Getting the basics right, good leadership, and having commitment from all levels of management is what delivers good health and safety performance in our business. Our aim is to have a healthy and injury-free workplace. We believe all injuries are avoidable and while we recognise that entirely eradicating risk is a challenge, we are determined to improve our performance and reduce the number of injuries occurring in our working environment.

Our SHE management system is compliant to the international standard OHSAS 18001 and we will be working towards compliance to the upgraded standard ISO 45001. The system is regularly reviewed and is subject to a full review and update this year. We complement the management system by issuing regular bulletins advising our teams on controls required for specific issues that arise within the business.

We have continued with our strategy to improve the focus on occupational health including awareness campaigns linked to the well-being of our workforce. Information has been provided on occupational health issues, mental well-being and raising awareness of general health issues that could affect our workforce. We have also enhanced our drugs and alcohol policy and commenced a programme of random sampling across the business.

We were honoured to be awarded Organisation of the year at the St John's Ambulance Everyday Hero awards. This reflected our deployment of defibrillators on all sites and our 'exceptional' commitment to first aid training. Whilst our drive is to have robust policies and procedures in place to prevent injury and ill health, at the same time the award reflects our commitment to ensure that in the event of an emergency our employees are trained and have the resources to deal with an incident.

Compliance to our SHE management system is verified by a programme of site monitoring and internal and external audits. During the year, we carried out 6,895 (2017: 6,990) monitoring visits and achieved an average compliance rate of 96% (2017: 96%). Our overall aim is to have an injury free working environment, our objective for the year was to have an improvement in our reportable IIR. During the year, our IIR increased to 462 (2017: 379) per 100,000 persons employed (including sub-contractors). We have already undertaken a review into factors that have contributed to this increase and will be working with our management teams to drive improvements in the prevention of injuries. Our aim is to achieve a reduction to a rate which is more reflective of our business commitment to health and safety.

Monitoring visits

6,895

(2017: 6,990)

Injury Incidence Rate

462

(2017: 379)

5 Steps to safety

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 including evaluating a behavioural safety programme in order to seek to improve our performance.

Our SHE management system was reviewed by the British Safety Council as part of their 5 star Occupational health and safety audit. The audit provides a comprehensive, independent and quantified evaluation of our approach to health and safety and in July 2018 we were informed that we have achieved the maximum five star rating. This confirms our commitment to best practice in this area and our structured approach towards continual improvement.

Our site managers have again been successful at the NHBC Health and Safety Awards, achieving ten commendations and nine going on to receive the highly commended status, a record for the Group. Our site manager at Ness Castle, Inverness was awarded the National Award in the Large Builder category.

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

- Continued to work with a variety of partners to bring forward land for development
- Continued to invest in the relationship with our suppliers and sub-contractors
- Introduction of supplier evaluation and development programme

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 ensure that we are regarded as the housebuilder of choice by the local landowners and agency community.

We recognise that our suppliers and sub-contractors are critical to the delivery of our strategic objectives and we invest in our relationships with them. We aim to be viewed as a sustainable, reliable partner for the future and so engage in continuous communication with our suppliers holding regular performance and business reviews, and providing training days. We hold an annual national supply chain conference, that is attended by over 100 of our suppliers, setting out strategic objectives and challenges. This year they were updated on progress against our sustainability strategy and the forthcoming disclosure requirements on climate change risk. We remain the only large developer to hold such an event on a national scale.

We believe it is important to engage openly with our suppliers regarding the challenges they are facing and help them identify and address opportunities and mitigate risk. In order to improve this dialogue we have recently introduced a new, 'supplier evaluation and development programme', which we believe is the first of its type in the industry. This programme has been rolled out across the business over the last year.

We also actively engage with our supply chain in the area of demand forecasting and capacity planning. We are able to provide detailed forecasts of future product demand, allowing suppliers to more accurately match production capacity with our forward requirements.

We work with our suppliers to help them to introduce the new technologies that we need to meet increasingly challenging building standards, improve build efficiency and address skills shortages. We also work with our sub-contractors to help them to improve their environmental and safety performance.

As we purchase substantial amounts of timber, we implemented a sustainable procurement and timber sourcing policy in December 2013. All timber and timber products that we purchase via Group agreements are from suppliers with FSC/PEFC chain of custody certification.

We are a signatory of the Prompt Payment Code, ensuring we are viewed as a reliable partner that suppliers want to work with. We have zero tolerance for any form of Modern Slavery and ensure that our suppliers have the support they need to meet our sustainability standards and future legislative change via our partnership with the Supply Chain Sustainability School.

A crane driver from our partner SIG Roofspace Ltd attaching the clamp to the Large Format Block in readiness for lifting.

The development of sustained business partnerships is critical to our success.

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

- Contributed £2.7bn of Gross Value Added to the UK economic output
- Raised over £1.2m for national and local community charities
- Supported 45,080 jobs in FY18

The challenge and our response

We don't just build homes, we create communities. Wherever we have a development we put down roots, building from the bottom up. Without local identity and supporting infrastructure, developments are just houses as opposed to homes. This is why we put so much time and investment in building strong community relationships. Last year we provided over 1,800 school places and handed over 34 local facilities to communities including sports and leisure, health, youth and community centres. For instance, at our Marston Park development near Bedford we are currently working on a new £1m sports facility with cricket pitch and community centre. Once finished the Marston Moretaine Cricket Club will relocate to the new sports buildings.

Across the country we have also made over £553m in local contributions including affordable housing sales, section 106 physical works and contributions, and the Community Infrastructure Levy benefiting local communities through highway, environmental and other improvements. Taken all together we provided some £2.7bn of Gross Value Added to the UK's economic output and supported 45,080 jobs this year.

Another important aspect of building communities is incorporating the history of a development wherever possible. The history of a place is part of the character and interest which makes it unique. By retaining and refurbishing heritage buildings, through to celebrating archaeological findings, we aim to preserve and enhance communities. Our Wedgwood Park development in Barlaston is on a historic site world famous for its pottery works founded in 1759. By building high quality homes there it has helped Wedgwood to stay on the site, thereby preserving local identity as well as safeguarding over 400 existing jobs. Equally, the old chimney at Baggeridge brickworks is being preserved as a focal point at our development on this previous industrial site, which is treasured as a local landmark.

We put great emphasis on working closely with young children and schools as they play such a big part in any community. We go out to schools to teach them about health and safety, construction and sustainability, and we try to involve them in our developments wherever we can. Year five pupils at Staplehurst School in Kent were set the challenge of naming our development, and asked to choose based on local flora, fauna and the history of the area. With Charles Dickens having famously been involved in a train crash near Staplehurst this was an obvious choice and the development is now known as Dickens Gate.

Another important part of supporting communities is through our charity giving. Over the past year we have helped charities throughout the country, in total raising over £1.2m for good causes. All our divisions actively participate in raising money for local good causes and we operate a charity matching scheme. Examples of how our divisions have raised funds include West Scotland raising £80,000 to allow children and young people living with cancer to enjoy a family retreat in a purpose built sanctuary. David Wilson Homes Southern raised £45,000 from a range of activities including a charity sports dinner, dress down day and in-house raffles for its locally chosen charity Swings and Smiles.

We don't just build homes, we create communities. Without them developments are just houses as opposed to homes.

Two employees from our Southampton division, Aaron Wright and Stacey Drew, spend a week in India as part of an all-women volunteer team with Habitat for Humanity for their Women Build Project.

Safeguarding the environment

Our principle

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

Key highlights

- 14% reduction in carbon intensity, 21% reduction since FY15
- 56% of new developments have a biodiversity action plan (2017: 51%)
- All our divisions have upgraded to environmental management standard ISO 14001: 2015*
- 358 hectares of green space created

The challenge and our response

Meeting the demand for homes puts certain pressure on Britain's land resources and the natural environment it supports, while increased production demands greater input of raw materials and energy, with the risk of increasing carbon emissions at all stages of housebuilding. We are committed to protecting and enhancing biodiversity as part of our activities, driving energy efficiency and carbon reduction and supporting our customers and our supply chain to do the same.

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, and have upgraded their certifications to the 2015 standard this year.

Greenhouse gas emissions[1] (tonnes CO_2e)	**Year ended 30 June 2018**	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015
Scope 1 emissions	**19,426**	20,772	20,211	18,224
Scope 2 emissions	**6,265** **(Market based: 4,903)**	9,138 (Market based: 6,299)	10,804	11,843
Scope 3 emissions	**9,177**	9,665	9,303	9,150
Total	**34,868** **(Market based: 33,506)[2]**	39,575 (Market based: 36,736)	40,318	39,217
Carbon intensity (tCO_2e per 1,000 sq. ft.)	**1.87** **(Market based: 1.80)**	2.17 (Market based: 2.01)	2.23	2.36
2025 carbon intensity target (tonnes CO_2e per 1,000 sq.ft.): 2.12				

1 Greenhouse gas emissions are reported in line with UK Government's 'Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance' (dated June 2013) and has used the greenhouse gas (GHG) emission factors outlined in the DECC 'UK Government conversion factors for Company Reporting', Version 1 (June 2017). We measure Scope 1 fuel combusted on our sites, offices and company owned vehicles, plus refrigerant losses; Scope 2: Purchased electricity for our sites and offices; Scope 3: business travel by road, rail and air and office and site electricity transmission and distribution losses.

2 In line with the revised Greenhouse Gas Reporting Protocol we are reporting Location based and Market Based Scope 2 electricity data. Market based data is based on the emissions from energy purchased by the Group. Location based refers to the average emissions intensity of the UK National Grid.

Being energy efficient and reducing emission

We have achieved our carbon reduction target as a result of our direct and indirect operational greenhouse gas emissions demonstrating a 14% reduction in carbon intensity since last year and 21% since our baseline year FY15. We hold an industry leading A- score in our CDP climate disclosure for 2017. Our total absolute carbon emissions for the Group have reduced by 11% since 2015 as a result of both energy efficiency and de-carbonisation of the UK energy grid.

We have focused on getting the basics right and improving energy efficiency of offices, plant and equipment, building on work we have already done to upgrade the specification of site cabins, and show home decorative lighting as part of the standardisation of site compound layouts. We have seen energy efficiency on site improve by 13% since last year.

We are committed to reviewing current operations and improving efficiencies, for example we have undertaken an energy audit of our Eastern Counties and Yorkshire West offices, identifying efficiency opportunities, and our support centre in Leicestershire is undergoing a major refurbishment including installation of new LED lighting throughout. LED lighting has also been integrated into upgrades at East Scotland and Yorkshire East.

We will drive forward the implementation of audit recommendations in addition to more rigorous energy efficiency checks which have been integrated into annual office inspections.

During FY19 we will focus on areas where emissions have been increasing such as onsite diesel consumption. In addition we are working with our office energy broker to switch to purchasing from a renewable tariff next year. We will set a science based target for carbon reductions within the next two years.

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* with the exception of our new Cambridge division.

Enhancing habitats, biodiversity and local environments across our developments

As outlined on page 31 in Great Places we are committed to enhancing biodiversity across our sites. We aim to protect and enhance the environment wherever we build. 56% of our new developments now have a biodiversity action plan.

Biodiversity at Deram Parke near Coventry

Our Deram Parke development near Coventry provides an example of how net gain can be achieved. Using the local council biodiversity impact guidelines it was demonstrated that despite measures to counteract the impact, there would still be an overall loss of biodiversity of about five hectares of amenity grassland.

However, the site is in close proximity to an ancient woodland, Park Wood – a unique habitat for a variety of species, including woodpecker, nuthatch and a range of butterflies, reptiles and amphibians. With the woodland experiencing some decline, the local council put together a costed 30-year management plan for improving the condition of the woodland, creating biodiversity gains.

Through the Group contributing financially to this plan, the loss of amenity grassland habitat will be offset by the improvement of the condition of a 2.2 hectare compartment of the ancient woodland, creating an overall net gain for biodiversity. This arrangement will also act to provide improved access for residents to an important wild space, with potential for education and learning about nature, as well as the enjoyment and health benefits that access to these environments can bring.

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

Gross margin 20.7% (2017: 20.0%)

Operating margin 17.7% (2017: 17.2%)

Profit before tax £835.5m (2017: £765.1m)

Return on capital employed 29.6% (2017: 29.8%)

Year end net cash £791.3m (2017: £723.7m)

Earnings per share 66.5 pence (2017: 61.3 pence)

Total shareholder return for the three years ended 30 June 2018 15.6% (three years ended 30 June 2017: 81.3%)

Key highlights

Continued focus on improving operating margin with operating margin increasing by 50 bps to 17.7%

Strong, consistently applied operating framework

Maintained an appropriate capital structure

Business resilience

The Group has a clear operating framework which is focused on building and maintaining a resilient business model and delivering sustainable shareholder returns. The Group maintains financial discipline across all aspects of its operations whilst driving operating margin improvements. The Group has a strong balance sheet position, holds a suitable land bank for the business with a sustainable level of land creditors, maintains an appropriate capital structure and returns excess cash to shareholders whilst delivering high quality homes for our customers.

	2018 £m Total	2017 £m Total	Notes
Gross profit	**1,008.9**	932.0	
Profit from operations	**862.6**	799.2	
Share of post-tax profit from joint ventures and associates	**18.0**	25.6	
Net finance costs	**(45.1)**	(59.7)	Net cash interest cost for the year was £9.3m (2017: £24.3m), net non-cash interest was £35.8m (2017: £35.4m). The main component of net non-cash interest relates to the unwind of the discount factor from deferred land creditors.
Profit before tax	**835.5**	765.1	The highest profit the Group has ever achieved. This was driven by growth in gross margin.
Tax charge	**(164.0)**	(149.1)	The rate of tax assessed for the year of 19.6% (2017: 19.5%) is slightly above the standard effective rate of corporation tax of 19.0% (2017: 19.75%) mainly due to adjustments in relation to prior years.
Profit after tax	**671.5**	616.0	

Our performance

Improved operating margin	**Increase in earnings per share**	**Strong ROCE at 29.6%**	**Increase in total dividend per share***
50 bps	8.5%	(20) bps	5.0%

* Increase in total dividend per share (proposed) to 43.8 pence per share (including special dividend) for the financial year

Primary operational targets and key financial metrics

Completions	3-5% growth per annum Present business capacity of 20,000 units
Gross Margin	New land acquisitions at minimum hurdle rate of 23% gross margin
ROCE	Minimum 25%

Operating framework and capital structure

Land bank	c. 3.5 years owned and c. 1.0 year controlled
Net cash	Modest average net cash Year end net cash
Land creditors	Reduce usage to 25-30% of the land bank over medium term
Treasury	Appropriate financing facilities
Capital Return Plan	2.5x dividend cover Ordinary dividends supplemented by special returns when market conditions allow

Our principles continued

Primary operational targets

Improving operating margin is a clear priority across our business and we have implemented a number of initiatives. The early results of this are shown by the increase in FY18 operating margin by 50 bps to 17.7% (2017: 17.2%). A key driver of margin is the land that we are buying for operational delivery and accordingly we have increased land hurdle rates and are acquiring new land at a minimum hurdle rate of 23% gross margin.

Improving operating margin is important for business resilience and improvement of our operating margin in FY18, despite Central London headwinds, reflects the quality of land we are buying and the early impact of our margin initiatives. We have seen a negative impact of 40 bps on our Group operating margin from Central London, whilst trading from our new regional sites and regional mix has improved margin by 110 bps. It is clear that we are improving the resilience of our underlying business and initiatives should continue to deliver further margin improvement over the medium term.

Whilst improving margin is fundamental to improving business resilience we also intend to grow profits and cash inflows through increased volumes. At present the business has the capacity to grow to 20,000 units within its current divisional structure. We expect to grow volumes in a disciplined manner by 3-5% per annum whilst maintaining our industry leading standards of build quality and customer service. We continue to target 30% of completions to be from strategically sourced land in the medium term.

The Group's fast build and sell model, supported by a relatively short consented land bank, deferred payment terms with land creditors, increased usage of standard product, and driving sales rates by dual branding on larger sites allows us to deliver strong ROCE performance and we are targeting a minimum of 25%. The Group tightly manages each and every development under construction to ensure we are running efficiently.

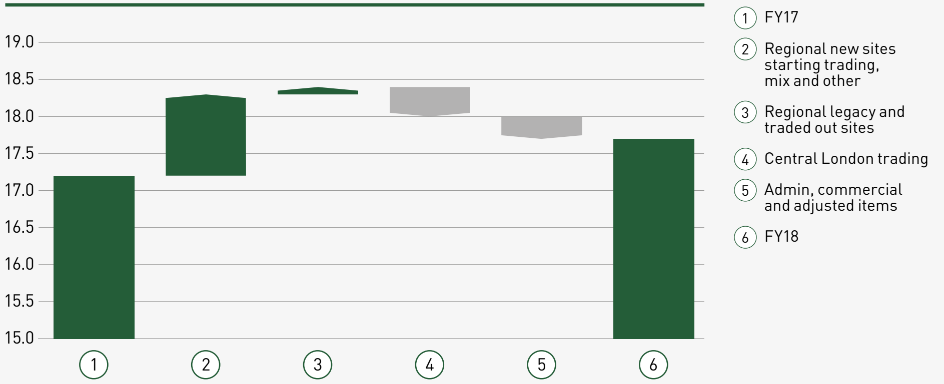
For FY18, ROCE decreased by 20 bps to 29.6% (2017: 29.8%).

Operating framework and capital structure

We maintain an appropriate capital structure, with land and long term work in progress funded by shareholders' funds and land creditors. In line with our fast build and sell model, and with the view that we are not land speculators, we aim to hold an appropriate land bank for our business of c. 3.5 years of owned land and c. 1.0 year of controlled land.

Our business is highly cash generative and during the year we generated strong cash inflow of £514.3m (2017: £388.6m) from operating activities and £9.7m of cash outflow (2017: £65.9m inflow) from investing activities. The main cash outflow increases were land spend and dividend payments. In line with our operating framework we have reduced our land creditor position year on year and as at 30 June 2018 land creditors were 34% (2017: 37%) of the owned land bank. Looking forward, we are aiming to continue reducing our usage of land creditors over the medium term to 25-30% of the land bank. The Group paid £434.9m (2017: £321.7m) of dividends during the year. Given the strong trading performance particularly in Central London towards the end of the financial year, together with slightly lower than expected land payments, the Group's net cash increase in the year of £198.0m led to closing cash of £982.4m and net cash at 30 June 2018 of £791.3m (2017: £723.7m).

Operating margin bridge (%)

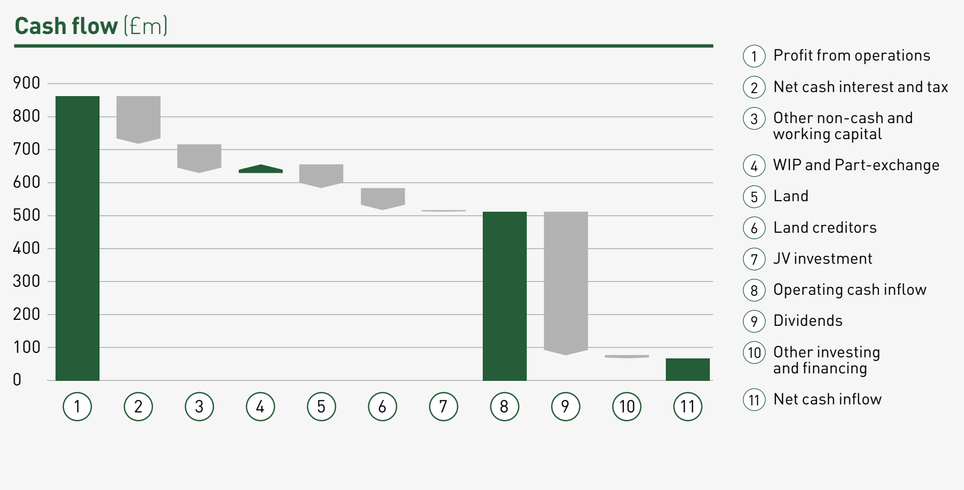


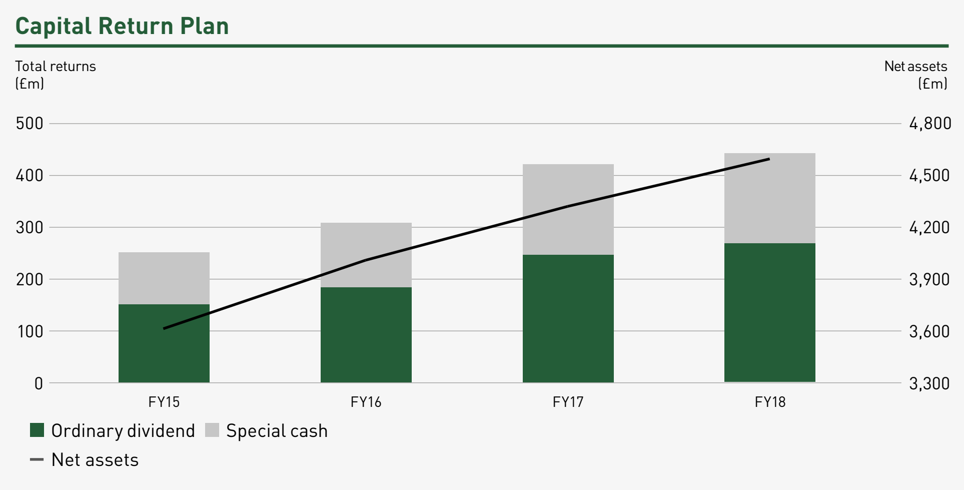
As we make scheduled payments on agreed new land and build work in progress to deliver spring 2019 completions, we expect net cash at 31 December 2018 to be in line with normal seasonal trends (31 December 2017: £165.9m). It remains our objective to maintain an appropriate capital structure and in our new operating framework we are now targeting modest average net cash over each financial year and a net cash position at each financial year end.

The Group is well positioned financially for trading across the cycle with £900.0m of available financing facilities. These comprise of a £700.0m RCF and £200.0m USPP. The RCF was renegotiated in December 2017 and extended to a five-year maturity of December 2022.

Whilst the Group has a responsibility to its shareholders to deliver value, it also recognises its broader, social responsibilities to pay the right amount of tax at the right time. All of the profits of the Group are subject to full UK corporation tax and the tax charge for the year ended 30 June 2018 was £164.0m (2017: £149.1m).

The Group does not enter into business transactions that serve no commercial purpose other than for reducing potential tax liabilities. The Group's tax strategy is to only take advantage of any available reliefs and exemptions, which have been set out in any current tax legislation to minimise its tax liabilities. The Group does not have a target effective tax rate and the rate for the year ended 30 June 2018 was 19.6% (2017: 19.5%) which is marginally higher (2017: lower)than the standard effective rate of tax of 19.0% (2017: 19.75%).





Capital Return Plan

The Board proposes to pay a final ordinary dividend of 17.9 pence (2017: 17.1 pence) per share for the financial year ended 30 June 2018, which subject to shareholder approval, will be paid on 6 November 2018 to shareholders on the register at the close of business on 12 October 2018. Together with the interim ordinary dividend of 8.6 pence per share, which was paid in the year, this gives a total ordinary dividend for the year of 26.5 pence per share (2017: 24.4 pence per share).

The ordinary dividend was covered around two and a half times by basic earnings per share.

Under the special cash payment programme the Board is proposing a payment of £175.0m (17.3 pence per share), which subject to shareholder approval, will be paid by way of a special dividend on 6 November 2018 to shareholders on the register at the close of business on 12 October 2018.

We have a well-defined ordinary dividend policy with the Group paying an ordinary dividend cover of two and a half times. We have previously announced that when market conditions allow, ordinary dividends will be supplemented with special dividends and in February 2018 the Board proposed to extend the special dividend and pay dividends of £175m in November 2018 and 2019.

Whilst the Board propose no change to the existing arrangement to pay the special dividend of £175m in November 2018, it has reviewed the mechanism for delivering the £175m cash return to shareholders in November 2019 and any future special dividends beyond the current commitment period. The Board believes that at times there are differences between market valuation and both underlying market conditions and the strength of our business.

As a consequence, the Board is proposing to introduce flexibility to this policy such that the £175m cash return proposed in November 2019, and any future special returns, can be made through a combination of share buybacks and special dividends, as opposed to solely special dividends. Whilst the payment of special dividends represents the Board's preferred method of returning excess capital to shareholders, this recognises that at certain share price points, share buybacks will be in the best interest of shareholders.

The Company will consult with shareholders on any consequential changes required to the LTPP prior to the 2019 AGM. The Board believes that this will ensure that the Company's shareholders fully benefit from the underlying value of the business which at certain price points is not reflected in the market valuation.

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 monitor and manage our exposure to risk and seek to ensure that risks are appropriately mitigated in order to deliver our strategy.

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. The Board, as part of its regular risk assessment procedures, also takes into account the significance of environmental, social and governance matters to the business of the Group. Based on the regular and adequate information provided to the Board on such matters, it identified and assessed the significant risks to the Group's short and long term value as well as potential opportunities to enhance value that may arise from an appropriate response to such matters. 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:

Board

Overall responsibility for corporate strategy, governance, performance, internal controls and risk management

Defines the Group's appetite for risk and monitors risks to ensure they are effectively managed, including agreeing actions where necessary

▼▲

Audit Committee	Nomination Committee	Remuneration Committee	Safety, Health and Environment Committee	Disclosure Committee
Reviewing the effectiveness of internal controls, including systems to identify, assess and monitor risks	Ensuring an appropriate balance of skills, knowledge and experience on the Board	Assessing the appropriate incentivisation of the Executive Directors and Senior Management	Responsibility for the stewardship of safety, health and environmental performance	Responsible for ensuring that the Company remains compliant with the requirements of the Market Abuse Regulation

▼▲

Executive Committee

Monitoring business and operational performance and changes in key risks facing the business and providing regular reports to the Board

Responsible for ensuring that the risk management policy is implemented and embedded within the business and appropriate actions are taken to manage risks

▼▲

Operations Committee	Risk Committee	Treasury Operating Committee	Land Committee	Health and Safety Operating Committee
Reviewing operating performance	Consideration of identified risks and their mitigation Identification of new and emerging risks	Management of liquidity and counterparty risk and ensuring that treasury policies are implemented and embedded within the business	Reviewing and authorising all proposed land acquisitions to manage land acquisition risk	Reviewing the effectiveness of health and safety policies and establishing controls and procedures to manage these risks

▼▲

Regional and Divisional Management

Responsible for risk identification, management and control within their region or division

▼▲

Site Management

Maintaining an effective system of risk management and internal control at their site including construction risks, sub-contractor risks and health and safety

Risk management process

A detailed risk register is maintained for the Group. Risks are reviewed as part of the management reporting process as well as by Senior Management and the Board which ensures there is a regular 'bottom up' and 'top down' consideration of risks. The risk register is reviewed on a regular basis by the Risk Committee which considers the severity of each risk, the required mitigating actions and business procedures and controls. The severity of the risk is determined based on a defined scoring system assessing risk impact and likelihood.

Risk appetite

The risk appetite for the Group is set by the Board. We have identified operational categories against which both our current risk profile and our risk tolerance range have been defined. These risk categories may be dependent on the macroeconomic context and we may adjust our risk appetite accordingly. In defining our risk appetite, the Board has taken into account the expectations of its shareholders, regulators and other stakeholders.

		2018
A	Economic environment, including housing demand and mortgage availability	Ⓜ
B	Land availability	Ⓜ
C	Availability of finance and working capital	Ⓛ
D	Attracting and retaining high-calibre employees	Ⓜ
E	Availability of raw materials, sub-contractors and suppliers	Ⓛ
F	Government regulation and planning policy	Ⓜ
G	Construction	Ⓛ
H	Joint ventures and consortia	Ⓜ
I	Safety, health and environmental	Ⓛ
J	IT	Ⓛ

Risk appetite

Ⓗ **High risk**
Ⓜ **Medium risk**
Ⓛ **Low risk**

Risk management continued

Overall assessment

The current risk profile is within our tolerance range, the Group is willing to accept a moderate level of operational risk in order to deliver financial returns. There may be occasions where these risks could have a moderate adverse impact on the Group, be it financially or operationally, although the impact can be mitigated through some management actions.

Why and how our risks change

The principal risks identified, either separately or in combination, could have a material adverse effect on the implementation of the Group strategy, our business, financial performance, shareholder value and returns and reputation.

Reputational risk could potentially arise from a number of sources including external and internal influences relating to the housebuilding sector which, when combined or over a period of time, could create a new principal risk. The Group actively manages the impact of reputational risk by carefully assessing the potential impact of all the principal risks and implementing mitigation actions to minimise those risks.

The Group is committed to safeguarding the environment in which it operates and assesses climate change risks as set out in our online Climate Change Policy and our annual submission to the Carbon Disclosure Project.

Whilst the principal risks for the Group related to the execution of its business strategy have not fundamentally changed, the likelihood of the risk factors occurring can change.

The risk profiles listed in the table on pages 51 to 55 show the estimated likelihood of each principal risk following our risk mitigation review and strategies implemented.

The principal risks are not listed by order of importance and the illustration of the probability does not consider the relative size of any associated financial or reputational impact of each item.

No new principal risks have emerged during the financial year. The change in risk profile included in the table on pages 51 to 55 is presented following our risk mitigation review and strategies implemented.

Principal risks

Risk	Risk description	Relevance to our strategy	KPIs	Mitigation	Risk profile	Change in risk profile from previous year	Likelihood of change during the year	Impact of change during the year	Commentary	Business model link
A **Economic environment, including housing demand and mortgage availability**	Changes in the UK and European macroeconomic environments, including but not limited to, flat or negative economic growth, inflation, interest rates, buyer confidence, mortgage availability, Government backed schemes, competitor pricing, falls in house prices or land values.	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. Changes in the economic environment, including the impact of the Brexit vote and any change or removal of the Government's Help to Buy scheme, may lead to falling demand or lower prices achieved for houses, which in turn would affect our volume targets and ability to provide profitable growth and lead to impairments of the Group's inventories, goodwill and intangible assets.	Gross margin, Operating margin, PBT, ROCE, EPS, TSR, Total completions.	> Board, Executive Committee, regional and divisional management reviews > Quarterly site valuations > Comprehensive sales policies and regular review of pricing, local markets and developing good working relationships with mortgage lenders > Maintenance of an appropriate capital structure and Balance Sheet control	Ⓗ	⊖	⊖	⊖	Sales rates and markets have remained stable over the last year. The economic environment continues to be characterised by low interest rates and good mortgage availability. The UK economic outlook is positive but there is medium term uncertainty due to the Brexit vote.	🗺 🧱 💻
B **Land availability**	The inability to secure sufficient consented land and strategic land options at an appropriate cost and quality.	Securing more sites that meet our hurdle rates of margin and site ROCE will enable disciplined volume growth. Insufficient land would affect our ability to achieve our volume targets and ability to provide profitable growth.	Owned and controlled land bank years, Land approvals, Gross margin, Operating margin, PBT, ROCE, EPS, TSR.	> All potential land acquisitions are subject to formal appraisal and approval by the Land Committee > Group, regional and divisional review of land currently owned, committed and identified against requirements > Formal relationship management with key land suppliers > Review by Land Committee and management on strategic land and sites > Land forum and academy training events > Increased usage of strategic land	Ⓜ	⊖	⊖	⊖	The Group's land bank is in a strong position and the Group continues to see a good supply of new land and strategic land opportunities.	🗺 🧱

🗺 Targeted land buying and effective planning
👷 Outstanding design
🧱 Construction excellence, innovation and efficiency
💻 Innovative sales and marketing
🤝 Industry leading customer experience
⊕ Increase
⊖ Decrease
⊖ No change

Principal risks continued

Risk	Risk description	Relevance to our strategy	KPIs	Mitigation	Risk profile	Change in risk profile from previous year	Likelihood of change during the year	Impact of change during the year	Commentary	Business model link
C **Availability of finance and working capital**	Unavailability of sufficient borrowing facilities 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.	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 to help deliver sustainable shareholder value. Reduced borrowing facilities and/or working capital would affect the Group's ability to service liabilities (including pension funding).	Year end net cash/debt.	> Committed bank facilities and private placement notes of £900.0m with maturity on the RCF in 2022 and the private placement notes in 2027 > Regular forecasts of working capital and cash requirements and compliance with banking covenants > Policy requiring minimum headroom of £150.0m of drawings against committed facilities > Maintenance of an appropriate capital structure and Balance Sheet control	L	⊖	⊖	⊖	In August 2017, the Group entered into a new fixed rate £200.0m US private placement. In December 2017, the Group extended its £700.0m RCF. The Group has £791.3m of net cash and net assets of £4,597.7m as at 30 June 2018.	📍
D **Attracting and retaining high-calibre employees**	The ability to recruit and/or retain employees with the appropriate skills or sufficient numbers of such employees.	Development of skilled employees is critical to delivery of the Group's strategy of profit and volume growth through a focus on efficiency and the continued delivery of attractive cash returns. Failure to attract or retain employees with the appropriate skills would affect these targets.	Employee engagement score.	> Comprehensive Human Resources programme including apprenticeship schemes, a graduate development programme, succession planning and training academies tailored to each discipline > Ongoing monitoring of employee turnover and absence statistics and feedback from exit interviews > Annual employee engagement survey to measure employee satisfaction > Remuneration benchmarking against industry competitors	H	⊖	⊖	⊖	There remains ongoing competitiveness for employees in the operational business, however the Group has implemented a number of initiatives to improve employee retention and engagement.	📍 👷 🏗 🖥 🤝

📍 Targeted land buying and effective planning
👷 Outstanding design
🏗 Construction excellence, innovation and efficiency
🖥 Innovative sales and marketing
🤝 Industry leading customer experience
↑ Increase
↓ Decrease
⊖ No change

Risk	Risk description	Relevance to our strategy	KPIs	Mitigation	Risk profile	Change in risk profile from previous year	Likelihood of change during the year	Impact of change during the year	Commentary	Business model link
Ⓔ **Availability of raw materials, sub-contractors and suppliers**	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.	Maintaining sufficient material and skilled sub-contractor availability will enable disciplined volume growth. Failure to do so may lead to increased costs and delays in construction which in turn would affect our volume targets and ability to provide profitable growth.	Customer service, Gross margin, Operating margin, PBT, ROCE, EPS, TSR, Total completions.	> Centralised team procures the majority of the Group's materials from within the UK including sub-contractor materials, ensuring consistent quality and costs > 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 > Establishing a key supplier audit programme to assess risks to the reliability of supply continuity > 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 > Control around all build and material costs throughout build programmes	Ⓗ	⊖	⊖	⊖	There continues to be pressure on the availability of certain build materials and skilled labour. The impact of the Brexit vote on the ongoing supply of skilled labour and imported materials is currently uncertain.	🏗 🤲
Ⓕ **Government regulation and planning policy**	Changing complex regulatory environment which affects planning, technical requirements and the time taken to obtain planning approval.	Securing sufficient, appropriate planning permissions upon new sites will enable the Group to deliver disciplined volume growth. Changes to the regulatory environment would affect our ability to achieve our volume targets and ability to provide profitable growth.	Gross margin, Operating margin, PBT, ROCE, EPS, TSR, Total completions.	> Considerable in-house technical and planning expertise focused on complying with regulations and achieving implementable planning consents that meet local requirements > Robust and rigorous design standards for the homes and places we develop > Policies and technical guidance manuals for employees on regulatory compliance and the standards of business conduct expected > Consultation with Government agencies, membership of industry groups to help understand and monitor proposed regulation changes	Ⓜ	⊖	⊖	⊖	The planning process remains highly complex. A number of changes to the National Planning Policy Framework have been made. These measures seek to simplify and speed up the planning process. However, there are a number of other regulatory changes proposed which may impact how we design and deliver our developments, including differences in building regulations across England, Scotland and Wales.	🗺 👷

🗺 Targeted land buying and effective planning
👷 Outstanding design
🏗 Construction excellence, innovation and efficiency
🖱 Innovative sales and marketing
🤲 Industry leading customer experience
↑ Increase
↓ Decrease
⊖ No change

Principal risks continued

Risk	Risk Description	Relevance to our Strategy	KPIs	Mitigation	Risk profile	Change in risk profile from previous year	Likelihood of change during the year	Impact of change during the year	Commentary	Business model link
G **Construction**	Failure to identify and achieve key construction milestones (due to factors including the impact of adverse weather conditions), failure to identify cost overruns promptly, design and construction defects, and exposure to environmental liabilities. 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.	We aim to reduce the risks inherent in the construction process and help address the shortage of skilled employees and sub-contractors through the use of MMC which is implemented where appropriate. Delays in construction, or poor product quality, could increase costs, reduce selling prices and sales volumes and result in litigation and uninsured losses.	Customer service, Total completions, Gross margin, Operating margin, PBT, ROCE, EPS, Construction waste intensity and Carbon intensity reduction.	> Executive Committee, regional and divisional reviews and quarterly site valuations > Continuous review of MMC and the quality of materials which are evaluated by external and internal technical experts, including the NHBC with additional inspections during build, to ensure compliance with all building and other regulations > Monitoring and improving environmental and sustainability impact of construction methods and materials used > Maintenance of appropriate insurance cover > Detailed build programmes and quality reviews, divisional monthly valuation meetings and sign off > Review of use of MMC by Group Design & Technical	Ⓜ	⊖	⊖	⊖	The Group's construction process and policies have remained unchanged in the last year. The Group continues to expand the use of its new product ranges which maintain our high standards of design whilst being faster to build, help us to reduce build cost and waste and are more suitable for MMC.	👷 🏗
H **Joint ventures and consortia**	Large development projects, some of which involve joint ventures or consortia arrangements and/or commercial developments, are complex and capital intensive.	Securing more joint venture sites that meet our hurdle rates enables disciplined volume growth. By engaging with joint ventures this assists in reducing and sharing risks on complex, capital intensive, bespoke and commercial developments. Changes in complex developments may negatively impact upon cash flows or returns.	ROCE, Total completions.	> All potential joint ventures are subject to formal appraisal and approval by the Group's Land Committee and the Board > Once operational, the performance of joint ventures and consortia are subject to regular review	Ⓜ	⊖	⊖	⊖	Our investment in JVs remains at a similar level to previous years, at £234.1m (2017: £213.1m). The Group delivered 899 (2017: 750) completions from joint ventures in the year.	🗺 🏗

🗺 Targeted land buying and effective planning · 👷 Outstanding design · 🏗 Construction excellence, innovation and efficiency · 💻 Innovative sales and marketing · 🤝 Industry leading customer experience · ↑ Increase · ↓ Decrease · ⊖ No change

Risk	Risk Description	Relevance to our Strategy	KPIs	Mitigation	Risk profile	Change in risk profile from previous year	Likelihood of change during the year	Impact of change during the year	Commentary	Business model link
I **Safety, health and environmental**	Health and safety or environmental breaches can result in incidents affecting employees, sub-contractors and site visitors.	We continue to prioritise and focus upon health and safety to seek to reduce injury rates and manage the risks inherent in the construction process. Health and safety or environmental breaches could cause potential reputational damage, criminal prosecution and civil litigation, delays in construction or increased costs.	SHE internal audit score.	> Internally resourced health and safety team > Regular health and safety monitoring by our in-house team, internal and external audits of all operational units > Continual reinforcement of Group health and safety and environmental policies and procedures > Dedicated SHE Board and Operations Committees which review key performance indicators, improvement plans and reinforce the importance of health, safety and environmental compliance > Quarterly performance reviews by divisional management within all operating units > Regular Senior Management reviews of developments > Independent reviews of our SHE processes	Ⓜ	⊖	⊖	⊖	The Group continues to focus on Health and Safety including ensuring consistent controls are in place to reduce accidents and injuries. The SHE internal audit score has remained in line with the previous year.	👷 🏗
J **IT**	Failure of any of the Group's IT systems in particular those relating to customer information, surveying and valuation. The Group could suffer significant financial and reputational damage due to the loss, theft or corruption of data either inadvertently or via a targeted cyber attack.	We continue to improve integration of IT systems to enhance business control and drive efficiency. Failures of any of the Group's IT systems could adversely impact the performance of the Group.	Customer service, Gross margin, Operating margin, PBT, ROCE, EPS.	> Centrally maintained IT systems > Fully-tested disaster recovery programme > Regular reviews to seek to reduce the risk of successful cyber attacks > We have implemented a series of measures to make our business processes and data management GDPR compliant. There is an ongoing review and governance approach to assess our risks and implement mitigating actions > Group wide policies on passwords and transferring data to third parties	Ⓜ	⊖	↑	⊖	The threat of external cyber attacks continues to increase with a number of high profile incidents in the last year.	🗺 👷 🏗 🖱 🤲

🗺 Targeted land buying and effective planning
👷 Outstanding design
🏗 Construction excellence, innovation and efficiency
🖱 Innovative sales and marketing
🤲 Industry leading customer experience
↑ Increase
↓ Decrease
⊖ No change

Principal risks continued

Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code 2016, 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 fast build and sell model. Our target is a regionally balanced land portfolio with a supply of owned land of c. 3.5 years and a further 1.0 year 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 time frame, 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 considers it is subject to a number of principal risks (as set out in more detail in pages 51 to 55), and its Viability Statement review considers the impact that these risks (particularly those related to the economic environment and availability of finance and working capital) 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.

The Strategic Report on pages 1 to 56 was approved by the Board and is signed on its behalf by:

David Thomas
Chief Executive

4 September 2018

Executive Committee

The Executive Committee consists of:

1 David Thomas

Chief Executive Officer

See page 59.

2 Steven Boyes

Deputy Chief Executive and Chief Operating Officer

See page 59.

3 Jessica White

Chief Financial Officer

See page 59.

4 Rob Tansey

Group HR Director

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

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 Celesio AG and Wickes. Rob was a member of the CITB Council until December 2017.

5 Jeremy Hipkiss

Group Sales and Marketing Director

Jeremy is responsible for the Group's overall sales, marketing and customer experience strategy and delivery.
In addition to these responsibilities, Jeremy has executive responsibility for IT and our business improvement programme, Building Excellence.

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 PLC and Marston's PLC having graduated in Economics at Leeds University.

6 Tina Bains

Company Secretary

See page 59.

Regional Managing Directors

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

7 Doug McLeod

Regional Managing Director, Scotland

Doug is responsible for the Group's operations in the Scotland Region which consists of three divisions.

Career and experience
Doug joined the Group in January 1974. Formerly Regional Director of Barratt Scotland and Managing Director of Barratt North Scotland, he was appointed to his current role in January 2017.

8 Mike Roberts

Regional Managing Director, Northern

Mike is responsible for the Group's operations in the Northern Region which consists of four divisions. He is also responsible for the Group's commercial and construction functions.

Career and experience
Mike joined the Group in June 2004. Formerly Managing Director of Barratt North East, he was appointed to his current role in January 2017.

9 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.

10 Richard Brooke

Regional Managing Director, East

Richard is responsible for the Group's operations in the East Region which consists of seven divisions.
He is also responsible for the Group's procurement function.

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 Limited. He was appointed to his current position in July 2008.

11 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 of Barratt Yorkshire West for 13 years, he was appointed to his current role in July 2012.

12 Gary Ennis

Regional Managing Director, London and Southern

Gary is responsible for the Group's operations in the London and 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 Regional Managing Director for Southern in January 2006 and of London in October 2016.

13 Nick Richardson

Managing Director, Wilson Bowden Developments

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

Career and experience
Nick joined Wilson Bowden plc 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.

The Board

We have an experienced and committed Board who continue to focus on promoting the success and long term sustainable value of the Group.

1 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 is Chairman of Tesco PLC, President of the CBI and a regent of the University of Edinburgh. Previously, John was Chairman of London First and 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 Worldpay plc (2011-2018), 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 Exel plc until 2005.

2 David Thomas

Chief Executive

Appointment to the Board:
David joined the Board 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 Disclosure Committee.

Career and experience:
David brings a wealth of financial and leadership experience acquired over a number of years in senior positions. He is a Non-Executive Director of the HBF and 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.

3 Steven Boyes

Deputy Chief Executive and Chief Operating Officer

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 is responsible for the Group's housebuilding operations.

Committee membership:
Member of the Safety, Health and Environment Committee.

Career and experience:
Steven has over 40 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. Steven was also previously a trustee of the UK Green Building Council (2015–2018).

4 Jessica White

Chief Financial Officer

Appointment to the Board:
Jessica joined the Board as an Executive Director and Chief Financial Officer on 22 June 2017.

Committee membership:
Member of the Disclosure Committee.

Career and experience:
Jessica brings a wealth of financial experience to the Board. She joined the Group in 2007 as Head of Financial Accounting and was promoted to Group Financial Controller in 2010. Prior to this, Jessica held various positions at Wilson Bowden plc (2005-2007) and PricewaterhouseCoopers LLP (2000-2005). Jessica is a member of the Institute of Chartered Accountants of Scotland.

5 Richard Akers

Senior Independent Director

Appointment to the Board:
Richard joined the Board as a Non-Executive Director on 2 April 2012 and became Senior Independent Director on 16 November 2016.

Committee membership:
Chairman of the Remuneration and the Safety, Health and Environment 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 Shaftsbury plc and of Unite Group plc, 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 Non-Executive Director of Emaar Malls PJSC (2014-2017). Previously, he was a senior executive of Land Securities Group plc (1995-2014), joining the main Board in May 2005 and a Director and President of the British Council of Shopping Centres (2009-2012), the main industry body for retail property owners.

6 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 Chief Marketing Officer at O2 UK (Telefonica). Nina is also a Trustee for the Great Ormond Street Hospital Childrens' Charity. She was formerly the Global Chief Marketing Officer at Barclaycard, the payments subsidiary of Barclays plc until 2013. Prior to Barclaycard, Nina was Senior Vice President, Global Brand Management at InterContinental Hotels Group plc (2006-2009) and worked at Diageo plc (1997-2006), latterly as Commercial Strategy Director.

7 Jock Lennox

Non-Executive Director

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

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

Career and experience:
Jock, a Chartered Accountant, brings a wealth of business and finance experience to the Board. He is currently Chairman of Hill and Smith Holdings plc and Enquest plc. Jock will be stepping down from his roles as Chairman of the Audit Committee and as a Non-Executive Director of Dixons Carphone plc on 6 September 2018 and 31 December 2018 respectively. Jock was previously Senior Independent Director of Oxford Instruments plc (2009-2016) and Non-Executive Director and Chairman of the Audit Committee of A&J Mucklow Group plc (2010-2016). He also spent 30 years with Ernst & Young LLP holding a number of leadership positions in the UK and globally, including 20 years as a partner.

8 Sharon White

Non-Executive Director

Appointment to the Board:
Sharon joined the Board as a Non-Executive Director on 1 January 2018.

Committee membership:
Member of the Audit, Nomination and Remuneration Committees.

Career and experience:
Sharon brings over 25 years' experience in the public sector to the Board and is currently Chief Executive of Ofcom. She was formerly Director General, Public Spending (2011-2013) and Second Permanent Secretary to HM Treasury (2013-2015). She also previously held roles at the British Embassy in Washington, the No 10 Policy Unit, the World Bank and various government departments including, the Department for International Development, the Department of Work and Pensions and the Ministry of Justice.

9 Tina Bains

Company Secretary

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

Committee membership:
Member of the Disclosure Committee.

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.

Tessa Bamford

Non-Executive Director

Tessa was appointed as a Non-Executive Director on 1 July 2009 and stepped down from the Board on 30 June 2018 following completion of her third three-year term in office. During her time on the Board, Tessa was also a member of the Audit, Nomination and Remuneration Committees.

Corporate governance report – Introduction and Overview

> Good corporate governance is the foundation of strong corporate performance. It provides a solid base for a healthy organisational culture; effective strategic leadership; and dynamic decision making taking into account various stakeholder views and interests.
>
> **John Allan**
> Chairman

Leadership

+ See pages 61-62

Your Board is collectively responsible for the long term success of your Company. The Executive Directors manage the business on a day to day basis whilst the Non-Executive Directors provide an appropriate level of scrutiny, constructive challenge and support to all proposals including those relating to strategy, performance, responsibility and accountability. This enables Board decisions to be well considered and justified. Appropriate Board processes are in place 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 FY18;
- its main focus areas for FY19; and
- the recruitment and induction process for new Directors.

Effectiveness

+ See pages 67-69

Your Board continuously reviews its composition to ensure it retains a balance of skills, experience, independence and knowledge which enables it to discharge its duties and responsibilities effectively. The Board undertakes an annual evaluation of its own effectiveness and that of its Committees as well as that of individual Directors.

This section outlines:

- the process and outcomes of the internal evaluation for FY18; and
- the progress made on the actions arising from the internal evaluation for FY17.

Accountability

+ See page 69

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 impacting the business. The Board assesses the appropriate appetite for risk in striving to achieve the Company's strategic objectives.

This section details:

- the work undertaken by the Audit Committee;
- the Board's approach to risk management, its internal control and risk management systems; and
- its processes for evaluating whether the Annual Report and Accounts of the Company are fair, balanced and understandable.

Ensuring effective engagement with our stakeholders

+ See pages 70-73

Your Board recognises the importance of maintaining open dialogue with its various stakeholders. A number of events and communications take place throughout the year to maintain regular contact with stakeholders and receive feedback on all areas of the business including (but not limited to) governance, operational processes and Executive Directors' remuneration.

This section summarises:

- how the Board and individual Directors engaged with stakeholders throughout FY18; and
- how stakeholders can communicate with the Company.

Remuneration

+ See pages 89-111

The Board, through its Remuneration Committee, has established a formal and transparent procedure for developing its policy on executive remuneration. Shareholders approved the Group's current Remuneration Policy at the 2017 AGM, which is designed to promote the long term success of the Group. No changes are proposed to the Policy for FY19.

This section sets out:

- a summary of the Group's Remuneration Policy;
- how the policy operated during FY18;
- how it will be applied in FY19; and
- the remuneration outcomes for FY18 based on the Company's performance.

Corporate governance report – Leadership

Board composition, diversity and experience as at 30 June 2018

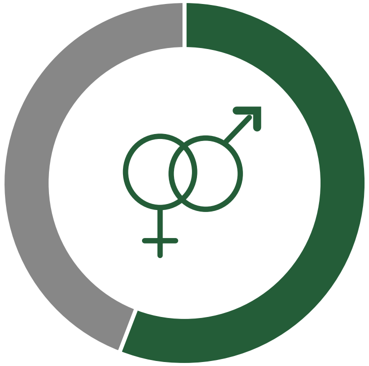
Board composition

● Chairman	11%
● Executive Directors	33%
● Independent Non-Executive Directors	56%

Non-Executive Director tenure (including the Chairman)

2	2	2
0-3 years	3-6 years	6+ years

Gender split (including the Chairman)



● Male	56%
● Female	44%

Experience

Business	Finance	Retail development	Public Sector	Housebuilding/ Construction	Marketing	Commercial development

+ See page 77 for details on Board diversity
+ See page 39 for details on diversity in the workforce

Corporate Governance Statement

The Board confirms that during the year ended 30 June 2018, and as at the date of this report, the Company has fully applied the main and supporting principles of the Code issued in 2016 (a copy of which is available from www.frc.org.uk). This report, together with the other statutory disclosures and the reports from the Audit, Nomination, Safety, Health and Environment and Remuneration Committees, provide details of how the Company has applied the main principles and complied with the provisions of the Code during the year under review (pages 60 to 111). The Board has continuously kept abreast of the consultation on the revisions to the Code and welcomes the changes introduced by the New Code published on 16 July 2018 to enhance long term success and trust in businesses. The Board, together with its advisers, is assessing its position under the New Code. It will disclose its compliance with the New Code at the latest in its report for the financial year ending 30 June 2020. The Company has also complied with the requirements under the Disclosure Guidance and Transparency Rules, the Listing Rules, Directors' Remuneration Reporting regulations and narrative reporting requirements, as applicable.

Board balance

The Board believes the balance of Executive and independent Non-Executive Directors remains appropriate having regard to the size and nature of the business. In addition, the combination of the experience, diverse backgrounds, length of service and calibre of the Non-Executive Directors further enhances this balance and the ability to deliver the Group's strategy whilst mitigating against the risk of 'group think'. Following a review of its composition, the Board appointed Sharon White to provide public policy experience. Full details of the recruitment process can be found on page 76.

The names, responsibilities and other details of each of the Directors of the Board are set out on pages 58 and 59 with the composition of the Board on page 61.

Board independence

The Company recognises the importance of its Non-Executive Directors remaining independent throughout their appointment, as it enables them to provide objective advice and guidance to the Executive Directors (and Senior Management). 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 and other stakeholders. 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, and as confirmed, as part of the conflict of interests review process, 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.

John Allan was considered to be independent on appointment to the Board and on taking up the role of Chairman. As part of the FY18 annual review of the Chairman's effectiveness, the Non-Executive Directors led by Richard Akers, as Senior Independent Director, considered John's other significant commitments 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 Committee meetings, being available to Board members whenever required and spending time in the business and within the Group's corporate office in London. John Allan continues to show dedication to his role and commits the time necessary to discharge his duties effectively and completely.

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 regularly without the Executive Directors being present usually prior to or immediately following Committee meetings.

Details of the Directors' interests in shares of the Company are contained in **Table 25** on page 105 of the Remuneration report.

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 – Board Membership and attendance to 30 June 2018

Member	Role	Number of meetings attended
John Allan	Chairman	7/7
David Thomas	Chief Executive	7/7
Steven Boyes	Deputy Chief Executive and Chief Operating Officer	7/7
Jessica White	Chief Financial Officer	7/7
Richard Akers	Senior Independent Director	7/7
Nina Bibby	Non-Executive Director	7/7
Jock Lennox	Non-Executive Director	7/7
Sharon White[1]	Non-Executive Director	3/3
Tessa Bamford[2]	Non-Executive Director	7/7

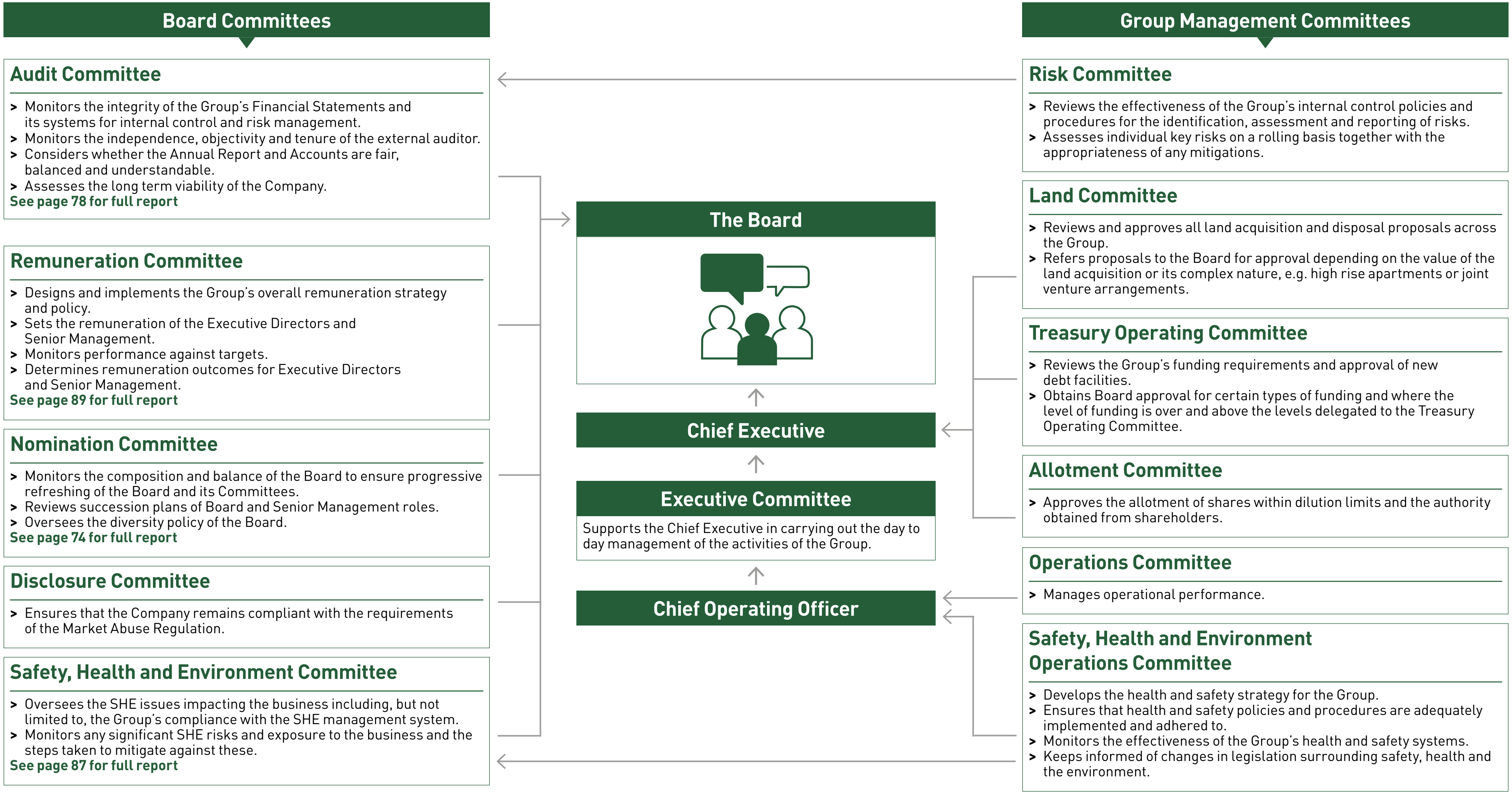
1 Sharon White joined the Board on 1 January 2018.
2 Tessa Bamford stood down from the Board on 30 June 2018.

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

Board Committees and delegation to Committees

Decisions, matters reserved to the Board and delegated authorities

The Board takes decisions on strategy and in relation to items set out in the matters reserved for the Board. It has also delegated various operational decisions to several Board and Management Committees (see below). The Schedule of matters reserved to the Board and the Terms of Reference of the Board Committees are available on the Company's website at www.barrattdevelopments.co.uk/investors/corporate-governance.



Board Committees

Audit Committee

- Monitors the integrity of the Group's Financial Statements and its systems for internal control and risk management.
- Monitors the independence, objectivity and tenure of the external auditor.
- Considers whether the Annual Report and Accounts are fair, balanced and understandable.
- Assesses the long term viability of the Company.

See page 78 for full report

Remuneration Committee

- Designs and implements the Group's overall remuneration strategy and policy.
- Sets the remuneration of the Executive Directors and Senior Management.
- Monitors performance against targets.
- Determines remuneration outcomes for Executive Directors and Senior Management.

See page 89 for full report

Nomination Committee

- Monitors the composition and balance of the Board to ensure progressive refreshing of the Board and its Committees.
- Reviews succession plans of Board and Senior Management roles.
- Oversees the diversity policy of the Board.

See page 74 for full report

Disclosure Committee

- Ensures that the Company remains compliant with the requirements of the Market Abuse Regulation.

Safety, Health and Environment Committee

- Oversees the SHE issues impacting the business including, but not limited to, the Group's compliance with the SHE management system.
- Monitors any significant SHE risks and exposure to the business and the steps taken to mitigate against these.

See page 87 for full report

The Board

Chief Executive

Executive Committee

Supports the Chief Executive in carrying out the day to day management of the activities of the Group.

Chief Operating Officer

Group Management Committees

Risk Committee

- Reviews the effectiveness of the Group's internal control policies and procedures for the identification, assessment and reporting of risks.
- Assesses individual key risks on a rolling basis together with the appropriateness of any mitigations.

Land Committee

- Reviews and approves all land acquisition and disposal proposals across the Group.
- Refers proposals to the Board for approval depending on the value of the land acquisition or its complex nature, e.g. high rise apartments or joint venture arrangements.

Treasury Operating Committee

- Reviews the Group's funding requirements and approval of new debt facilities.
- Obtains Board approval for certain types of funding and where the level of funding is over and above the levels delegated to the Treasury Operating Committee.

Allotment Committee

- Approves the allotment of shares within dilution limits and the authority obtained from shareholders.

Operations Committee

- Manages operational performance.

Safety, Health and Environment Operations Committee

- Develops the health and safety strategy for the Group.
- Ensures that health and safety policies and procedures are adequately implemented and adhered to.
- Monitors the effectiveness of the Group's health and safety systems.
- Keeps informed of changes in legislation surrounding safety, health and the environment.

Corporate governance report – Leadership continued

Board roles and their responsibilities

Chairman **John Allan**	> Leads and manages the Board in the achievement of its objectives, sets its agenda and chairs its meetings. > Responsible for the effectiveness of the Board and its governance. > Facilitates the effective contribution of Non-Executive Directors and constructive relations between Executive and Non-Executive Directors. > Responsible for the identification and provision of continued development needs of each Director. > Ensures effective communication with shareholders and other stakeholders and participates in corporate relations activities as appropriate.
Chief Executive **David Thomas**	> Develops the Group's strategy for the enhancement of long term shareholder return taking into account the needs of the Group's stakeholders. > Leads the implementation of Group Strategy approved by the Board. > 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. > Chairs the Executive Committee through which he carries out his duties. > Overseas corporate relations with shareholders and other stakeholders. > Responsible for sustainability policies and practices of the Group.
Deputy Chief Executive and Chief Operating Officer **Steven Boyes**	> Responsible for the Group's housebuilding operations including day to day responsibility for safety, health and the environment ensuring stakeholder requirements are appropriately addressed. > Chairs the Operations Committee meetings, the other members of which include the Regional Managing Directors.
Chief Financial Officer **Jessica White**	> Devises and implements the Group's financial strategy and policies. > Manages Group Finance, Tax, Internal Audit, Treasury and Investor Relations functions. > Supports the Chief Executive with his corporate relations responsibilities with shareholders and other stakeholders. > Manages the Company's relationship with the external auditor.
Senior Independent Director **Richard Akers**	> In addition to his role and responsibilities as an Independent Non-Executive Director, the Senior Independent Director, is available to shareholders, when required, to: (i) address any material issues or concerns which the Chairman and/or Chief Executive have failed to resolve; and (ii) listen to their views in order for the Company to gain a balanced understanding of their issues and concerns. > Evaluates the performance of the Chairman, at least annually. > Acts as a sounding board for the Chairman and, if necessary, an intermediary for the other Directors.
Independent Non-Executive Directors **Tessa Bamford, Nina Bibby, Jock Lennox and Sharon White**	> Support and constructively challenge the Executive Directors using the broad range of their experience and external perspective ensuring the needs of stakeholders are appropriately considered. > Develop proposals on strategy. > Monitor the implementation of the Group's strategy within its risk and control framework.
Company Secretary **Tina Bains**	> Supports the Chairman and Chief Executive in fulfilling their duties especially with respect to induction and training. > Available to all Directors for advice and support. > Keeps the Board regularly updated on governance matters and best practice. > Ensures Group policies and procedures are maintained and updated on a regular basis. > Attends and maintains a record of the matters discussed and approved at Board and Committee meetings.

Board activity FY18

Main activities undertaken during the financial year (including matters reserved)

The Board provides clear, entrepreneurial, responsible and executive leadership to the Group in order to promote the long term success of the Group whilst ensuring the Group has an appropriate risk and control framework, adequate resources and appropriate values and standards to deliver its strategy.

Strategy and management

- Detailed strategy sessions held throughout the year to further develop future strategy.
- Received presentations from business functions on risks and opportunities both strategic and otherwise.
- Reviewed and approved various material land investments/transactions.
- Received internal and external presentations on the wider housing market, including labour requirements.

Stakeholder engagement

- Reviewed shareholder feedback on half and full year results, trading updates and outcomes from investor roadshows.
- Received presentations from the Group's corporate brokers.
- Met with shareholders at the 2017 AGM.
- Reviewed the 2017 AGM proxy voting figures.
- Reviewed and approved the 2017 AGM Notice.
- Individual Directors attended various stakeholder events organised by the Group.

Other

- Visited sites within the East and London regions.
- Individual Directors visited various regions to meet management and employees to understand their perspective of the Group's operations.
- Individually, Directors attended health and safety site visits with the SHE Director.
- Reviewed the fees for the Non-Executive Directors.

Risk management and internal controls

- Robustly reviewed and approved the effectiveness of internal control and risk management systems.
- Reviewed the Company's appetite for risk and approved the principal risks and uncertainties affecting the business.
- Received regular updates from the Audit Committee in respect of internal and external audit reviews.
- Approved the re-appointment of Deloitte as external auditor on recommendation of the Audit Committee.
- Undertook six-monthly in-depth health and safety reviews.

The Board

Board composition and effectiveness

- Considered, approved and implemented the appointment and induction of Sharon White.
- Considered and approved the re-appointment of Richard Akers as Senior Independent Director and as Chairman of the Safety, Health and Environment and Remuneration Committees.
- Reviewed, considered and updated potential conflict of interests at each meeting and conducted an Annual review.
- Undertook an internal evaluation of its own performance and that of its Committees and individual Directors.
- Discussed and reviewed management and Board succession plans.

Financial reporting and controls

- Reviewed monthly reports on performance against budget and forecast.
- Reviewed the proposed three-year business plan.
- Reviewed and approved half and full year results and announcements.
- Assessed if the Annual Report and Accounts were 'fair, balanced and understandable'.
- Approved the 2017 Annual Report and Accounts.
- Reviewed Group dividend policy and approved payment of an interim dividend and agreed to recommend payment of a final dividend and special dividend under the Group's Capital Return Plan.
- Reviewed and renewed the Group's financing agreements.
- Reviewed and approved the budget for FY19.
- Reviewed and approved process for satisfaction of awards under share performance schemes, dilution and the admission of further shares to the London Stock Exchange.
- Reviewed the long term viability of the Company over a period of three years and approved the long term viability statement to be included in the Annual Report and Accounts following the recommendation of the Audit Committee.

Governance

- Received updates on changes and potential changes in regulations and assessed their impact, including the General Data Protection Regulations.
- Received updates from each of its Committees.
- Reviewed and approved the Group's sustainability framework.
- Reviewed and approved the Board's principal policies, including the new Modern Slavery Statement.
- Reviewed and approved the Group's Gender Pay Gap disclosure.
- Reviewed and approved matters reserved to it, its own terms of reference and those for the Chairman, Chief Executive and Senior Independent Director.
- Reviewed the Group's operating structure to ensure it remains fit for purpose.

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 themselves 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, terms of reference of the Committees and other Committee specific information, various policies and procedures and details of their duties and obligations as a Director of a listed company. During the financial year under review, the Company completed the inductions of Sharon White and Jessica White to the roles of Non-Executive Director and Chief Financial Officer respectively.

Sharon White Induction

Q Describe your induction process on joining the Board.

A I met with the management team and was fully briefed on all aspects of the operations of the Group, including Health and Safety, investor relations, strategy and build philosophy and design.

Q Did you visit various Group offices?

A I went on a site visit with Steven Boyes in the Yorkshire East division, and met with employees both in the office and onsite.

Q What specific induction did you receive for your role on the Board Committees?

A I met with each of the Chairmen of the Board Committees to understand the roles, responsibilities and priorities of each Committee in turn. For the Audit Committee I met separately with the Chief Internal Auditor and the Deloitte Audit Partner.

Q Which aspects of your induction did you find particularly useful?

A The site visit helped me understand the issues faced by the business every day and gave me a true feel of what the Group aims to achieve for our stakeholders.

Jessica White Induction

Q How was your promotion to Chief Financial Officer received by your colleagues?

A The news of my promotion was very well received and I have received universal support. Colleagues were pleased to see an internal promotion to the Board.

Q Describe your induction process on joining the Board.

A I met with all members of the Senior Management team to discuss their priorities and my priorities for the Group.

Q What aspects of your new role were dealt with in your induction process?

A A key part of my induction was meeting with our brokers and also investment analysts. This gave me further understanding of how the business is viewed externally.

Q What have you been most impressed with?

A The way the Group holds health and safety as a top priority. I am also pleased with the passion with which we are pursuing the diversity and inclusion agenda which will enable us to both better understand the customer for whom we build houses and also expand the pool of talented individuals who work for us.

Board visits

Each year the Board visits two regions which are selected on a rotational basis. During FY18 these visits were to the East Region and the London and Southern Region. At each of these regions the Board met with Senior Management who provided an overview of the regional business including their business plan, customer service levels, employee turnover and engagement and other operational matters.

Board visit to DWH Forest Chase, Leicester Forest East, East Region.

Jock Lennox and Richard Akers talking to Karly Williams, Regional Sales Director on a Board visit to our Landmark Place development, London and Southern region.

Corporate governance report – 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. For FY18 (as per FY17) the Board undertook an internal evaluation. The last external evaluation was undertaken in FY16 with the assistance of Ffion Hague of Independent Board Evaluation who had no other connection with the Company.

Progress on FY17 evaluation

We reported the outcomes of the internal Board evaluation for the last financial year in the 2017 Annual Report and Accounts. Details of progress made on these are set out below.

Table 2 – The Board

	Succession planning	**Relationship with suppliers and customers**	**Risk, culture and behaviours**
FY17 outcomes	Continue to focus on identifying successors for Executive Directors and Senior Management.	More interaction with shareholders, suppliers and customers to gain a better understanding of their views and requirements.	To further develop risk oversight processes and monitor culture and behaviours throughout the organisation.
Actions for FY18	To build on the assessments undertaken by Spencer Stuart and work with the individuals identified with the potential to progress to Senior Management or Board level.	Establish a calendar of events that Non-Executive Directors could attend to meet with shareholders, suppliers and customers.	To continue to focus on the Group's culture, behaviours and appetite to risk.
Progress made in FY18	Two Fast Track development programmes have been put in place for Potential Regional Managing Directors and Managing Directors. As a consequence of these programmes, a number of internal promotions have taken place. Work is now underway, with assistance from Spencer Stuart to integrate an internal objective assessment of development need for those on our succession plan.	A calendar of events has been issued to the Non-Executive Directors and will be updated annually.	A full review has been undertaken to assess how the Group monitors, identifies and mitigates against risk. Whilst our processes and controls were seen to be robust, the remit of the Risk Committee was extended to enable it to evaluate risks on a 'top down' and a 'bottom up' basis. The Risk Committee will continue to report to the Audit Committee, which, in turn will update the Board and obtain any guidance or decisions required.

Table 3 – The Committees

	Nomination Committee	**Audit Committee**	**Remuneration Committee**
FY17 outcomes	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.		
FY17 Areas of improvement	Increase the focus on succession for Executive Directors and Senior Management.	To focus more on risk at a strategic level and reduce the length of the meeting packs.	To reduce the focus on the detail and concentrate more on the bigger picture to speed up the decision making process.
Actions for FY18	Dedicate more time on the agenda to address this issue. To build on the assessments undertaken by Spencer Stuart, and work with the individuals identified with the potential to progress to Senior Management or Board level.	Establish when and how risks are to be reviewed and agree presentations required from which areas of the business. Better promote the use of Executive summaries to ensure key information is highlighted and the detail is available if required.	Establish a statement of intent before or at the beginning of a financial year to enable management to have longer to consider what is required and how it can be achieved.
Progress made in FY18	As per the Board progress detailed above in **Table 2**.	The Risk Committee has established a schedule of presentations, which it will report on to the Audit Committee three times a year. The Audit Committee will feed this information into the Board as appropriate. The Chief Financial Officer and Company Secretary now challenge the length of papers and encourage the use of executive summaries.	The Remuneration Committee has developed and approved a statement of intent. This will be reviewed and updated annually as deemed appropriate.

FY18 Board performance evaluation

The Chairman of the Board led the evaluation process internally, supported by the Company Secretary.

Board and Committee evaluation process

Online questionnaires were issued to the Board and Committee members and to individuals who attend the Committee meetings on a regular basis. The questionnaire looked at a variety of areas including, among other matters, the composition of the Board and Committees, the advice and support provided, the focus of meetings and top three priorities for the next year.

The results of the questionnaires were collated and a summary provided to each of the Chairmen. The results were discussed between Board and Committee members respectively at their meetings.

FY18 Internal Board effectiveness evaluation outcomes

The results of the evaluation were overall positive and showed that the Board is running effectively. The Board continues to be seen as being cohesive and comprising of the appropriate balance of experience, skills and knowledge to implement the Group's strategy over the next few years. Board meetings operate in a spirit of openness, fostered by the Chairman, in which Directors are able to challenge and discuss openly ideas of importance to the Group and its strategy.

Table 4 – Areas of improvement for the Board

	Strategy	Modern methods of construction	Succession planning
FY18 outcomes	To continue to review and develop the Group's longer term strategy as required by economic and market conditions.	To increase the utilisation of modern methods of construction within the business.	To ensure long term succession plans are in place not only for the Executive Directors but also for employees throughout the organisation.
Actions for FY19	Undertake research to understand how the business can best meet the changing demands of its customers.	Continue to assess the viability of modern methods of construction and to continue to increase their usage within the business.	To continue to engage with the Chief Executive and the HR Director to develop long term succession plans.

Table 5 – Areas of improvement for the Committees

	Nomination Committee	Audit Committee	Remuneration Committee
FY18 outcomes	To increase its focus on succession planning.	To enhance further the interaction between Risk Committee and Audit Committee processes.	To ensure that the Committee continues to be fully informed of any regulatory changes relating to remuneration to be able to assess their impact on the Group.
Actions for FY19	To continue to meet with the Chief Executive to review succession plans in detail.	Assess ways in which the relationship between the Committees could be strengthened.	Utilise the new Remuneration Consultants to provide regular updates on the wider remuneration environment and its potential impact on the Group.

Evaluation of the Chairman and Non-Executive Directors

The evaluation of the effectiveness of the Chairman was conducted by the Senior Independent Director with assistance from the Company Secretary. A questionnaire was issued to each Board member and the result was unanimous support for the Chairman. Of particular note was how supportive the Chairman is of other Directors and his willingness to listen to all contributions during the course of a debate. In addition, Board members found him engaging and encouraging of building Board cohesion through activities outside of formal Board meetings. The Directors were complimentary of the way in which the Chairman managed his other commitments, always ensuring sufficient time is given to his role with the Company. The Senior Independent Director shared the feedback with the Board (without the Chairman being present) before discussing it with the Chairman.

The Chairman held one to one meetings with each Director to assess their effectiveness and to agree any areas of improvement or training and development, including on environmental, social and governance matters. There were no issues of any substance arising from this review.

Corporate governance report – Accountability

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 two-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

As part of the annual effectiveness review, the Chairman asks the Board as a whole and individual Directors for any training requirements they deem necessary or appropriate. He also annually agrees development needs with each individual Director. During FY18, training included aspects of Social, Health and Environmental issues and various presentations and updates relating to the Board's Strategy agenda. Such presentations included a focus on market conditions and the economic environment in which we operate, Government and regulatory environment, behavioural risk and culture, our customers, diversity and our workforce, sales and product development, financial updates and planning and modern methods of construction. In addition, at each Board meeting, the Company Secretary provides an update on any developments in Corporate Governance on the back of which future training topics are often identified.

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 risk management and internal control systems, including controls related to the material financial, operational and compliance performance (see the Audit Committee report on pages 78 to 86). 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 control is designed to manage risks that may impede the achievement of the Group's business objectives and identify activities where there is a high risk of corruption, including bribery, amongst employees, partners or intermediaries, rather than to eliminate those risks entirely. The system of internal control therefore provides only reasonable, not absolute, assurance against material misstatement or loss. The system of internal control 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 48 to 56).

We continue to cooperate fully with the Metropolitan Police on the ongoing investigation we instigated regarding possible misconduct in the London business. As stated in October 2016, Barratt does not anticipate any material adverse financial effect and our London business is operating well.

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 2017 Annual Report and Accounts. It also set aside adequate time to review and discuss significant areas of the 2018 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 Annual Report and the Financial Statements in arriving at its conclusion. It also received a paper from the Company Secretary explaining the process that had been undertaken to provide assurance to the Audit Committee that the report was 'fair, balanced and understandable'. The Board's formal statement on the Annual Report and Accounts being fair, balanced and understandable is contained within the Statement of Directors' Responsibilities on page 118. 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 82. After considering the paper from the Company Secretary and its own reflections, the Board was happy to endorse the recommendations of the Audit Committee.

Corporate governance report – Ensuring effective engagement with our stakeholders

The Board recognises the importance of having an open and transparent relationship with its shareholders and other stakeholders. Throughout the year, the Board and Senior Management have actively engaged with various stakeholders on items of importance to them. Our engagement programmes aim to ensure that our operations have a positive impact on stakeholders through its strategic priorities of customer first, great places, leading construction and investing in our people.

Shareholders

Investor relations

- The Executive Directors and investor relations team manage and develop the Group's external relationships with institutional investors and analysts. They follow a comprehensive programme of investor meetings particularly following the release of annual and half year results and trading updates.
- In FY18, the Executive Directors, supported by Senior Management, attended 137 investor meetings (112 one to one meetings and 25 group meetings). In addition, the Remuneration Committee Chairman consulted with major shareholders to understand their views on the revised Remuneration Policy proposed for adoption at the 2017 AGM.
- The Chairman and other Non-Executive Directors are given the opportunity to attend meetings with major shareholders at the request of either party.
- The Senior Independent Director is also available to meet with major shareholders, as and when required, to gain an understanding of any issues and concerns.

Investor feedback to the Board

- 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 or in her absence, the Chief Executive, reports regularly to the Board on the Company's investor relations activities, including updates from the Company's brokers.
- Additionally, the Company's brokers provide an analysis of investor and analyst feedback during the year under review and the investor relations team regularly circulate updates to the Board.

Retail shareholders

- The Company Secretarial team, together with the Company's Registrars, regularly engage with our retail shareholders in respect of their shareholdings and general enquiries.
- The Company Secretary informs the Chairman and the Chief Executive of any areas of concern or importance raised by retail shareholders to ensure that they are kept aware of the views of our retail shareholder base.

Annual General Meeting

- The Chief Executive updates shareholders on the Group's performance and activities during the year. Shareholders are also given the opportunity to meet Board members and air any issues or queries they may have about the business. The Chairman and each Board Committee Chair are also available throughout the AGM to answer shareholder questions.
- The Notice of AGM is circulated to all shareholders at least 20 business days prior to the meeting and all resolutions are voted on by way of a poll as the Board believes that this is more representative of shareholder voting intentions.

Trading updates

- The Company is fully aware that the Disclosure Guidance 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, however, continue to believe that we should keep our shareholders fully informed of the performance of the business on a regular basis. That said, we reviewed our reporting frequency in FY18 and, given the feedback from some of our investors, we have decided that we will no longer publish a trading update in January of each year. We will instead publish our half year results in early February as opposed to the end of February. Accordingly, in FY19, we will publish three trading updates as well as the half and full year announcements.

Examples of outcomes of engagement with shareholders

- Agreed minor modifications to the Remuneration Policy prior to submitting for approval at the 2017 AGM.
- Reviewed and amended the timing of dividend payments for FY18 and thereafter.
- Reduced the number of trading updates to the market during the year from six to five.

Employees

Health and safety

- The health and safety of our employees, as well as that of our customers, suppliers, sub-contractors and all other visitors to our sites and offices is of paramount importance to us. The SHE Director provides an update on key SHE matters to the Board twice a year and sits on the Safety, Health and Environment Board and operational committees. The Chief Operating Officer updates the Board on health and safety matters at each Board meeting.

Employee forum

- During the year, we established an employee forum which comprises individuals from across the business including Managing Directors, site operatives and office based employees. The purpose of the forum is to gain closer engagement with our workforce and for employees to have the opportunity to consult on matters that affect the environment in which they work. It will also be utilised to share ideas and initiatives prior to rolling them out across the business and as a formal consultation group should the need arise.
- The HR Director will chair the forum. The Chief Executive or the Chief Operating Officer and a Non-Executive Director will also be in attendance.

Engagement survey

- We annually undertake an employee engagement survey to gain insight into the issues that matter most to our employees. Each divisional and functional head receives a report setting out the results for their respective teams. These results are shared with the teams and plans put in place to maintain or enhance employee engagement levels.

Internal communications

- We are keen to ensure that our employees are kept informed of developments and important issues. These are cascaded throughout the business through a variety of channels including the Group's intranet, emails and newsletters.
- In addition, Senior Management are invited to attend a conference twice a year at which the performance of the Group, key areas of focus and issues are discussed in detail. Middle management are invited to attend a conference annually so that they are made aware of the key messages and initiatives that they need to inform their teams of.

Regional/divisional site visits

- The Board collectively and individually carry out site visits across the business. During these visits the Board take the opportunity to speak with employees to gain an understanding of the issues/challenges they are facing and of how the Board or Senior Management can potentially support employees in resolving such issues.

Examples of outcomes of engagement with employees

- Reviewed and upgraded our standard Personal Protective Equipment provision to all employees.
- Extended the use of mobile tablets to enable increased site mobility and access to information systems whilst on site.
- Reviewed the employee benefits offering and extended the availability of annual health screenings to a wider range of employees.
- Reviewed and communicated the health and wellbeing benefits offered to employees.
- Undertook the employee engagement survey earlier in the year and developed detailed action plans throughout the business to deliver on the areas identified for further improvement in the engagement survey.
- Reviewed and amended the company cars available to employees.
- Increased the number of employees being granted share awards each year to further align their interests with that of shareholders and directors.
- Launched a 60th Anniversary share award to all employees except the Senior Leadership of the Group.

Banks and analysts

Meetings and webcasts

- The Chief Executive and the Chief Financial Officer attend various events with the Company's finance providers and analysts throughout the year to keep them fully informed of the performance of the business and to understand any concerns that they may have.

Mortgage lender relations

- We are aware that many of our customers will require mortgage finance to purchase their new home from us. Our Head of Mortgage Lender Relations ensures that we are fully informed of the financial products that are available for our customers and where they can obtain such assistance from.
- The Head of Mortgage Lender Relations regularly engages with lenders to ensure that they are confident with the security which we offer for the loans they provide and are comfortable with the prices at which we are selling our homes. In addition, he discusses opportunities to improve financial products, processes and criteria to enable the Group to be more efficient and attract new customers as well understanding their concerns, their risks and their views on what types of products may be available in the future and how these will affect our customers.

Examples of outcomes of engagement with banks and analysts

- Understanding of the views of analysts on the Group and the wider sector.
- Extension of the Group's RCF by one year and issuance of £200m sterling US private placement note.
- Barclays introduced 'Green Home' mortgage.
- Increased mortgage choices available for customers.

Customers

Customer satisfaction

- We have achieved HBF 5 Star status for the ninth consecutive year by listening to, and taking on board the feedback that we receive from, our customers. We continue to strive to resolve any defects quickly and have implemented a robust procedure through which our customers can raise matters for our attention.
- The Executive Committee has established a robust process for quality inspection throughout our business and we have reviewed and updated our customer care policies to ensure that our sales and on-site teams have regular contact with our customers throughout the whole customer journey.

Customer insight

- Customer insight is embedded within our business. We have a number of research projects running concurrently to get to the heart of the behaviours, attitudes and needs of current and prospective customers.
- A continuous brand tracking programme assesses the Barratt Homes and David Wilson Homes brands from a consumer perspective and benchmarks us against our peers on an ongoing basis.

Customer feedback

- The Executive Directors, Executive Committee and Senior Management regularly review feedback direct from customers regarding both positive and negative experiences.
- Our customer care teams undertake root cause analysis to understand and evaluate any issues that are frequently encountered by our customers.
- Output from the ongoing customer insight programme is utilised in our product range and customer experience reviews.

Competitor activity

- We monitor the activities of our competitors including their housing ranges and consumer offer.

Industry trends

- Our association with industry bodies such as the HBF and UK Finance means that we are well informed with industry trends and issues and helps us to respond to changes in both market practice and consumer behaviour.

Examples of outcomes of engagement with customers

- Further refined the housing ranges for both Barratt Homes and David Wilson Homes.
- Amended the Customer Choices range of optional extras based on most popular items.
- Updated our customer complaint handling procedure.
- Refined internal policies, processes and procedures on an ongoing basis to take into account customer feedback.

Local communities

Volunteering

- We encourage all of our employees to dedicate one working day per year to volunteering in their local communities. During FY19, employees across the business spent time out in the community, maintaining nature reserves to attract wildlife and helping out at local schools.

Views of the local community

- We obtain the views of the local community prior to commencing work on any site. Plans are usually developed based on the feedback received and we ensure that members of the local community are kept fully informed of progress throughout the construction of the site.

Charitable donations

- We believe that it is important for us, as a business, to support charitable causes, both locally and nationally. We have therefore allocated funding for each region, support office and division which they can donate to local causes. In addition, the Group match funds (capped) monies raised by divisions for their chosen charities. We have also donated to various disaster relief support funds to help those affected by events such as the Grenfell Tower fire and the Manchester and London terror attacks.
- At a Group level, we have partnered with the RSPB to improve the way in which nature and wildlife are incorporated into our new communities.

Examples of outcome of engagement with local communities

- Identifying ways of making our developments more sustainable and nature friendly in conjunction with both the RSPB and Group Ecology and Biodiversity Manager.
- Re-planning of sites to take into account needs of the community such as communal spaces, parks and schools.
- Substantially increased the focus on charities and charitable giving.
- Increased focus on employee volunteering days and payroll giving.

Sub-contractors and supply chain

Supplier conference

- We annually invite our suppliers to attend a conference at which we set out our objectives for the forthcoming financial year and how our suppliers can help us achieve those objectives. It is also an opportunity for suppliers to network as well as meet and discuss any areas of concern with the Executive Directors and Senior Management.

Ongoing supplier relations

- The Chief Executive, Deputy Chief Executive and Chief Operating Officer and Group Procurement Director meet with suppliers and sub-contractors on a regular basis to ensure that (i) we are receiving the level of service that we, and our customers, expect; (ii) we have contracted on favourable commercial terms, locally and nationally; and (iii) any issues or challenges that they are facing can be considered and suitable alternative solutions found.
- Our divisional management will hold business briefings for new and existing sub-contractors to ensure that they are aware of our business plans and also so that we can receive feedback regarding our performance.

Research and development

- We invite all of our supply chain to bring product and service innovations and improvements to our attention. We hold 'sand-pit' sessions with our suppliers on a regular basis and this allows new ideas to be discussed in an informal setting.

Payment terms

- We are fully aware of the importance to both the Group and our sub-contractors and suppliers of complying with all payment terms.
- We are a signatory to the Prompt Payment Code.
- We have complied with the requirements to disclose our payment terms as required by Section 4 of the Small Business, Enterprise and Employment Act 2015.

Examples of outcomes of engagement with sub-contractors and supply chain

- Published our payment practices which compare very favourably with the industry.
- Our Deputy Chief Executive and Chief Operating Officer led a visit to European based suppliers to look at the different technologies in use for housebuilding.
- Introduced a new supplier evaluation and development programme.

Government and Regulators

Government

- The Chief Executive and the Head of Corporate Communications regularly meet with members of Government and other political parties to provide an overview of the housing industry and to provide feedback on potential changes being considered by Government. The Prime Minister and other Members of Parliament have visited a number of our sites during the year. This gives them a better understanding of the challenges we face as an industry.

Regulators and Local Authorities

- The Board is committed to ensuring that it is open and transparent with Regulators and take their regulatory responsibilities very seriously.
- We work closely with Local Authorities to ensure that our developments meet the relevant planning requirements and will enhance the facilities and housing within the local area.

Voting agencies

- The Board is fully aware of the influence that voting agencies such as the ISS and the IA have on the way in which our investors will vote at the AGM or via proxy. Every year we write to investors and voting agencies to update them in respect of our Remuneration policy and practices for Executive Directors. Any feedback from the voting agencies helps us to form our Remuneration policy and ensure that our remuneration practices remain satisfactory.

Examples of outcomes of engagement with Government and Regulators

- Ability to obtain planning consent more quickly.
- Government aware of challenges the industry is facing resulting in favourable housing policy.
- Favourable votes at the AGM for all resolutions.

Major shareholders

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

As at 30 June 2018, the persons set out in **Table 6** have notified the Company, pursuant to DTR 5.1, of their interests in the voting rights in the Company's issued share capital:

Table 6 – Notifiable interests

Name	Number of voting rights[1]	% of total issued share capital[2]	Nature of holding
FMR LLC	34,579,199	8.24	Indirect
BlackRock, Inc.	56,413,704	5.60	Indirect
Standard Life Investments Ltd	47,711,714	4.94	Direct & Indirect
Woodford Investment Management Limited	51,396,412	5.07	Direct

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

2 Based on the Total Voting Rights as at the relevant notification dates.

At 3 September 2018, no change in these holdings had been notified and no further notifications of a disclosable interest had been received.

The Total Voting Rights of the Company as announced on 3 September 2018, are 1,013,903,995.

On behalf of the Board

John Allan
Chairman

4 September 2018

Nomination Committee report

> Board members should mirror the requirements of the business we are in. Housebuilding is a long term business. The experience on the Board and at Senior Management level should be sufficient in order that experience is retained throughout the long term land and economic cycles.
>
> **John Allan**
> Nomination Committee Chairman

Statement from the Chairman of the Nomination Committee

I am pleased to present the Nomination Committee report for the financial year ended 30 June 2018. The Nomination Committee continues to play a vital role in ensuring that not only the Board, but also Senior Management comprises the right individuals to plan and implement the strategy of the Group.

Skills and experience of the Board

The Nomination Committee annually reviews the skills and experience of the Board and its Committees. During FY18, it was agreed that the Board could potentially benefit from appointing a Non-Executive Director with experience in the wider housing environment such as in central or local Government, Housing Association or strategic and public policy. Accordingly, we embarked on the recruitment process for a new Non-Executive Director and, on 1 January 2018, Sharon White joined the Board. Details of the recruitment process can be found on page 76.

As announced in February 2018, after nine years of service, Tessa Bamford stood down from the Board on 30 June 2018. I would like to thank Tessa on behalf of the Group for her contribution during her tenure. The Nomination Committee will continue to monitor the composition of the Board and recommend changes as and when it is deemed appropriate to do so.

Diversity and inclusion

The Company has progressed its diversity and inclusion agenda during the year: instituting a Diversity and Inclusion Forum and cascading several initiatives throughout the organisation. Further information of these initiatives are available on page 39.

Succession planning

A number of recommendations have been made by the FRC and other key organisations for Nomination Committees to focus on, issues, relating to diversity, including gender and ethnicity. The Nomination Committee fully supports the aims of these recommendations and will take appropriate action to continue to promote and strengthen diversity within the Company.

John Allan
Chairman of the Nomination Committee

4 September 2018

Nomination Committee role and activity FY18

Main role and activities undertaken during the financial year

The Nomination Committee met formally on two occasions during the year to fulfil the responsibilities delegated to it by the Board. The key areas of focus for the Nomination Committee are: to monitor the size and composition and balance of skills on the Board and its Committees; to ensure a formal, rigorous and transparent procedure for the appointment of new Directors; and to plan for succession. Full details of the responsibilities delegated to the Nomination Committee by the Board are set out in the written terms of reference which are available from www.barrattdevelopments.co.uk/investors/corporate-governance.

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

Board composition and balance

- Reviewed the structure, size and composition of the Board.
- Reviewed skills, experience and knowledge of each Board member and of the Board as a whole, against the needs of the Board.
- Reviewed the time commitment required from the Chairman and Non-Executive Directors to fulfil their roles.
- Considered and recommended to the Board the re-appointment of Richard Akers as Senior Independent Director and Chairman of the Safety, Health and Environment and Remuneration Committees for a third three-year term (page 76).

The Nomination Committee

Succession planning

- Assessed the tenure of Board members and held discussions with Directors on expected length of service in order to inform the succession plan (page 77).
- Concluded the external recruitment process and recommended the appointment of Sharon White as a new Non-Executive Director (page 76).

Governance

- Considered and confirmed that each Non-Executive Director remained independent and committed to their role.
- Undertook an annual review of directors conflict of interests and recommended to the Board the renewal of any authorisations previously provided.
- Reviewed and approved its annual agenda and terms of reference.

Committee effectiveness

- Reviewed and made progress against matters arising from the annual evaluation for FY17.
- Undertook an internal evaluation of its own performance and reviewed and devised an action plan to address issues arising (page 68).

Diversity and Inclusion

- Reviewed the Group's Diversity and Inclusion Policy and recommended it to the Board for approval.

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 7**. 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 58 and 59.

Table 7 – Nomination Committee membership and attendance to 30 June 2018

Member	Role	Number of meetings attended
John Allan	Chairman	2/2
Richard Akers	Member	2/2
Tessa Bamford	Member	2/2
Nina Bibby	Member	2/2
Jock Lennox	Member	2/2
Sharon White[1]	Member	1/1

[1] Sharon White joined the Board on 1 January 2018.

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

Appointment and re-appointment of Directors

Board Appointment

During FY18, following an evaluation of the balance of skills, experience, independence and knowledge on the Board, the Nomination Committee began the process to identify and recruit a Non-Executive Director with experience in public policy. A description of the roles and capabilities required for the appointment was prepared and Odgers Berndtson, an independent recruitment agency with no other connection to the Company, were appointed to assist with the search. The Nomination Committee delegated authority to John Allan and Richard Akers to oversee the process and accordingly they have reviewed a longlist of candidates. Odgers Berndtson compiled a shortlist from which candidates were selected for interview with John Allan and Richard Akers. A number of candidates then met with each of the other Non-Executive Directors and the Chief Executive. As a final stage, the preferred final two candidates were invited to meet with the other Executive Directors. The Nomination Committee considered each of the remaining two candidates based on the feedback received from members of the Board, and their merit, skills and experience and recommended to the Board that Sharon White be offered the position of Non-Executive Director. Sharon brings over 25 years' experience of public policy experience to the Board. The decision to appoint her was unanimously supported by the Board and her appointment was announced on 2 October 2017. Sharon duly joined the Board on 1 January 2018.

Re-appointment of Non-Executive Directors

All of our 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. Given the long term and cyclical nature of our business, it is important to retain adequate experience on the Board over successive economic cycles. The length of tenure of the Board members is shown on page 61.

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). Copies will also be available at the 2018 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.

During the year, the Nomination Committee undertook a particularly rigorous review of the re-appointment of Richard Akers as Senior Independent Director and Chairman of the Remuneration and SHE Committees given that he has concluded six years of service. The Nomination Committee was satisfied that Richard continues to dedicate sufficient time to his duties and Richard confirmed that he would continue to do so. Furthermore, the Committee was satisfied that Richard had no other relationship or circumstance that would affect the performance of his role or his independence. Accordingly, the re-appointment of Richard Akers for a third 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 election or re-election, as appropriate, by shareholders at the 2018 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 58 and 59 of this report and in the Notice of the 2018 AGM. Details of the Executive Directors' service contracts can be found in the Remuneration report on page 95.

Each of the Directors who have served throughout the year has been subject to a formal performance evaluation process including the appropriateness of a particular Director's experience and the effectiveness with which such experience is utilised in furthering the Company's business.

Following these reviews, the Nomination Committee, and the Board, are satisfied that each Director continues to be effective in, and demonstrate commitment to, their respective roles. The Board, in the light of the results of the performance evaluation and the breadth of experience of each Director recommends that shareholders approve the resolutions to be put forward at the 2018 AGM relating to the election or re-election of the Directors as applicable.

Succession planning

Succession planning is a live topic at the Board and Nomination Committee meetings. Directors also meet annually with the Chief Executive to discuss the succession plans for the other Executive Directors and Senior Management below Board level.

Executive Directors

During the year, the Board undertook its annual review of the Group's succession plans. This involved a review of the succession 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 on a medium and long term basis, whilst ensuring 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 are 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.

The Nomination Committee plays an active part in this process.

Non-Executive Directors

The Nomination Committee reviews annually the length of service of the Non-Executive Directors taking into account the cyclicality of the business. Lessons gained through one property cycle can be useful during the next. It is therefore helpful to have directors who stay on the Board through successive cycles. In light of this, conversations are held with the longer serving members to create a plan for the progressive refreshment of the Board as necessary.

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.

Throughout FY18, the Company Secretary maintained a register of Directors' conflict of interests. A summary of this register is reviewed at each Board meeting so that it remains accurate and current. The full register is reviewed annually and recommendations are made to the Board in respect of any changes to the authorisations that may be required. 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.

Diversity and Inclusion policy

During the year, the Nomination Committee, and subsequently the Board, reviewed the Board's policy on diversity and inclusion. Our policy remains to identify the most suitable candidate to join the Board having regard to the individual's skills, experience, knowledge and potential 'fit' with the rest of the Board. However, it also seeks to ensure that, in managing an appointment and in succession planning, the Nomination Committee has regard to the recommendations of the Parker and the McGregor-Smith reviews on ethnicity and race and the benefits of diversity, including gender, perspective, background and knowledge.

A copy of our Diversity and Inclusion Policy can be found at: www.barrattdevelopments.co.uk/sustainability/our-policies

Gender diversity

The Board notes the target of 33% female representation on Boards required by Lord Davies in his 2015 review. Whilst the Board appreciates the benefits that can be gained from gender diversity, it has agreed not to impose a gender balance quota preferring instead to appoint strictly on merit as it did with the appointment of Sharon White. At 30 June 2018, 44% of the Board were female, however, with Tessa Bamford leaving the Board on 30 June 2018, this has reduced to 38% which is still in excess of this target.

In addition, the Board are aware of the requirements of the Hampton-Alexander review and the details as required by this review are kept under review and disclosed on page 39.

See page 39 for further details on gender diversity.

The Parker and McGregor-Smith reviews

The Board is pleased to confirm that it already meets the recommendation of the Parker review for all FTSE 100 Boards to have at least one Director of colour on the Board by 2021.

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 across the workforce remains an objective for the Chief Executive and HR Director. A full programme was unveiled during FY18 including the creation of a Diversity and Inclusion forum to spearhead the Group's action in this important area. The Group aims to mirror the communities in which it operates and reflect its customer base.

Further information on the Group's diversity and inclusion actions can be found on page 39.

Use of Recruitment Consultants and diversity

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. It will also, going forward, require recruitment consultants to identify and present potential candidates in accordance with the Parker review and its recommendations regarding the ethnic diversity of boards.

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
4 September 2018

Audit Committee report

> During FY18, we have continued our focus on risk management (including cyber security and GDPR compliance processes), in addition to maintaining the quality of our financial reporting and internal control system.
>
> **Jock Lennox**
> Audit Committee Chairman

Statement from the Chairman of the Audit Committee

I am pleased to present to you our Audit Committee report for the year ended 30 June 2018.

Committee membership

We are pleased to have welcomed Sharon White to the Audit Committee on 1 January 2018. Sharon has received a tailored induction that also covers the specifics of her role as an Audit Committee member. We have also worked closely with Jessica White and provided her with support in her first full year as CFO. In addition, after nine years' of service Tessa Bamford stepped down from the Committee on 30 June 2018. I would like to take this opportunity to thank Tessa for her valuable contribution to the Audit Committee during her tenure.

Role and responsibilities

The Audit Committee is given its authority by the Board and we act in accordance with our written terms of reference. An important part of our role is to monitor the integrity of the Group's financial reporting and management. In performing this role, we scrutinise the full and half yearly financial statements and review in detail the work of the external auditor and any significant financial judgements made by management to ensure they are appropriate. Another important part of our role is to review the risk management and internal control framework operating across the Group to ensure that risks are being carefully identified and assessed and that sound systems of internal control are in place.

In performing our duties during the year, we have complied with the requirements under the 2016 UK Corporate Governance Code and followed the best practice guidance set out by the FRC. We work closely with both the internal and external audit teams. This helps us to ensure that our internal control processes remain robust, our financial reporting remains clear and concise and our accounting judgements are appropriate.

The Audit Committee has had a full agenda. We have held a number of in-depth discussions, which have strengthened our processes around the monitoring and management of risk. In our discussions we have considered the risks from Brexit, the effects of the changing housing market across the regions in which we operate and the implications of selling price sensitivities. The Audit Committee has requested and reviewed a thorough sensitivity analysis to provide assurance for the viability statement that is included on page 56 of this report.

We have also spent time understanding and where necessary encouraging improvement of internal controls and auditing processes. We have also undertaken an external review of our internal audit function to ensure it continues to provide appropriate assurance to the Audit Committee in an environment where risks continue to change and the requirements of internal audit are increasing. More information on this review is contained on page 86.

We reviewed our significant critical accounting judgements and key sources of estimation uncertainty and concluded that:

(i) due to the progress made in trading through our legacy assets and the vast majority of our land bank now being at normal gross margins, the carrying value of land and work in progress is no longer considered to be a significant accounting judgement;

(ii) goodwill and intangible assets impairment review remains a significant critical judgement due to its materiality and the judgements that are required as part of the annual impairment review; and

(iii) inventory valuation and margin recognition is a significant critical accounting judgement due to the estimation of the costs to complete that is required as part of the valuation process. Further details on our significant critical accounting judgements can be found on page 82.

In the 2017 Annual Report and Accounts, I outlined what our main areas of focus would be for FY18. I am pleased to update you on progress to date in each of these areas.

Changes in regulation and accounting standards

The Audit Committee has continued to oversee developments of the Group's processes and reporting to ensure it will be compliant with the requirements of IFRS 15 'Revenue from Contracts with Customers', IFRS 9 'Financial Instruments' and IFRS 16 'Leases', as and when they become applicable. IFRS 15 and IFRS 9 will impact the Group in FY19, IFRS 16 from FY20.

The Audit Committee has received detailed updates on preparations and estimates of the effect of the implementation of these standards on the Group's financial reporting and challenged management on assumptions where necessary. The Audit Committee has discussed and agreed adoption dates and methods for each of these accounting standards.

The Audit Committee is in the process of considering how the requirements of the New Code will apply to it. Details on how we have applied, or will seek to apply, the new requirements will be fully disclosed at the latest in the report for the financial year ending 30 June 2020.

Cyber security

We recognise that security of the Group's IT infrastructure is a key priority for the Group. A successful cyber attack could affect the Group's operational ability and has the potential to put our data at risk. Given that we are operating in a time where cyber attacks are prevalent, we have been closely monitoring actions taken by the Group to minimise the risks of the Group being affected by a cyber attack. To gain a better understanding for how other companies are approaching cyber security, the Audit Committee received external presentations on cyber risks. The Group has undertaken active penetration testing and the Audit Committee is monitoring the steps taken to improve the defences.

EU General Data Protection Regulation

We have also actively monitored the preparations for compliance with the EU General Data Protection Regulation, which came into force on 25 May 2018. Amendments have been made to the Group's Policies and Procedures and a thorough review of data processes, information and assets has been undertaken to ensure that the data of our stakeholders is treated with the utmost care and in line with the new regulations. Our data retention policies have also been reviewed and training rolled out across the organisation to ensure each employee dealing with data has an understanding of the new regulation and their responsibilities under it.

Principle risks and uncertainties

Risk management continues to be a key focus for the Audit Committee. We not only review our principle risks and uncertainties, but also: the process for identifying, assessing and managing risks; the Group's risk appetite and tolerance; the operations of the Risk Committee; and policies relating to insurable risk amongst other aspects of our risk management system. We have engaged with management on areas of key importance and have continued to challenge and support as necessary.

Areas of focus for FY19

When drafting our annual Audit Committee calendar, we take into account the external environment, internal operations of the business and regulatory changes to ensure that all the main areas that we need to prioritise are included.

Our areas of focus for FY19 are to:

(i) consider the implications of the New UK Corporate Governance Code issued on 16 July 2018 and applicable to the Company from FY20 and recommend updates to the terms of reference as necessary;

(ii) continue to monitor the potential impact of changing sales prices on the Group's finances and operations;

(iii) continue to develop processes and reporting in respect of IFRS 16 'Leases', which will impact the Group in FY20;

(iv) continue our focus on systems development and the cyber risks facing the business to monitor the cyber security risks for the business and ensure that the business is in a position to defend itself as the types of cyber attacks evolve; and

(v) further ensure the link between Risk Committee and Audit Committee processes is effectively managed.

Set out in the following pages is more detail of how we have discharged our duties in respect of the financial year under review.

Jock Lennox
Chairman of the Audit Committee
4 September 2018

Audit Committee role and activity FY18

Main role and activities undertaken during the financial year

The main role of the Audit Committee is to assist the Board in fulfilling its corporate governance obligations relating to the Group's financial reporting practices, internal control and risk management framework. It follows an annual work programme to ensure that its roles and responsibilities are completed throughout the year. The Audit Committee's responsibilities as delegated by the Board are formally set out in its written terms of reference which are available from www.barrattdevelopments.co.uk/investors/corporate-governance.

The Audit Committee

Committee effectiveness

- Progressed actions arising from the FY17 external evaluation.
- Undertook an internal evaluation of its performance in FY18 and devised an action plan to address the issues identified (page 68).

Governance

- Considered and recommended for approval the proposed corporate governance disclosures for the 2018 Annual Report and Accounts including fair, balanced and understandable (page 82).
- Received updates on general corporate governance requirements.
- Reviewed preparation for compliance with the General Data Protection Regulation.
- Reviewed and updated its terms of reference.

External audit

- Considered the external auditor's reports on half and full year Financial Statements.
- Met with the external audit partner without management being present.
- Assessed the effectiveness and performance of the external audit (page 84).
- Assessed and confirmed the independence of the external auditor (page 85).
- Agreed external audit terms of reference, fees and scope for the half and full year ends.
- Regularly reviewed the ratio between audit and non-audit fees (page 85).
- Reviewed and updated the policy on auditor independence and non-audit fees accordingly (page 85).

Going concern and viability statement

- Assessed the Group's available facilities, headroom and banking covenants.
- Reviewed and challenged management's detailed analysis, which included forecasts and scenarios considering potential downturns in the housing market.
- Satisfied itself, and recommended to the Board, that the going concern basis of preparation continues to be appropriate (page 81).
- Assessed the long term prospects of the Company, and agreed the timescale to be covered by, the viability statement for disclosure in the FY18 Report and Accounts (page 83).
- Reviewed the adequacy of availability of finance to the Group.

Internal audit

- Received regular updates from the Chief Internal Auditor on matters arising from the internal audits undertaken throughout the business.
- Met with the Chief Internal Auditor without management being present.
- Reviewed and agreed the Internal Audit plan for FY19 with due regard to the principal risks of the Company.
- Assessed the effectiveness of the Internal Audit function during FY18 (page 86).

Integrity of Financial Statements and announcements

- Analysed drafts of half and full year results announcements.
- Reviewed and addressed key accounting judgements and significant issues (see pages 81 and 82).
- Reviewed and approved the Financial Statements for FY17 and agreed the format for the Financial Statements for FY18.
- Reviewed the process established for ensuring that (and opined on whether) the Annual Report and Accounts are fair, balanced and understandable (page 82).
- Considered and approved material accounting policies, estimates and judgements.
- Assessed and approved pension assumptions and reviewed funding levels of the defined benefit pension scheme.
- Received updates on the implications of new accounting standards and key regulatory changes.
- Reviewed the tax strategy of the Group.

Internal control and risk management systems

- Monitored and regularly reviewed the effectiveness of internal controls and risk management systems (including Environment, Social and Governance 'ESG' risks) in the context of the Company's appetite for risk.
- Considered regular updates from the Risk Committee which included reports on the Executive and divisional risk workshops, risk registers and residual risk, including ESG risks.
- Considered regular updates from the Chief Internal Auditor on whistleblowing and suspected fraud reports and related investigations (pages 83 to 84 and 86).
- Reviewed and updated the policy framework and the policies specifically allocated to it including the delegation of authority matrix.
- Received updates on the Group's disaster recovery policies and processes including impact of cyber security risks.
- Reviewed, and recommended to the Board for approval, the principal risk disclosures for inclusion in the 2018 Annual Report and Accounts.

Membership and attendance at Audit Committee meetings

In compliance with the Code, the Committee is comprised exclusively of Non-Executive Directors and each member is considered to be independent by the Company. John Allan is not a member of the Audit Committee. The Board is satisfied that, Jock Lennox has recent and relevant financial experience to Chair the Audit Committee. Jock is a chartered accountant and chairman of another listed company Audit Committee and is therefore well qualified to undertake this role effectively. As part of the effectiveness review, the Nomination Committee was satisfied that the Audit Committee as a whole has competence relevant to the sector in which we operate. There were four scheduled meetings during the year. Details of the members and attendance at each of the meetings is shown in **Table 8** and the biographies and qualifications of the members are shown on pages 58 and 59.

Table 8 – Audit Committee membership and attendance to 30 June 2018

Member	Role	Number of meetings attended
Jock Lennox	Chairman/Member	4/4
Richard Akers	Member	4/4
Nina Bibby	Member	4/4
Sharon White[1]	Member	2/2
Tessa Bamford[2]	Member	4/4

1 Sharon White became a member of the Audit Committee on 1 January 2018.

2 Tessa Bamford stepped down from the Audit Committee on 30 June 2018.

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

In addition to the Company Secretary, Tina Bains, the Chief Internal Auditor, George Dobie, and representatives from Deloitte LLP attended each of the Audit Committee meetings. The Chief Executive, Chief Financial Officer and other members of Senior Management also attended meetings (or parts thereof), by invitation. Members of Senior Management included, amongst others, the Group Commercial Director, the Head of Mortgage Lender Relations, the Group IT Director and the Group Sales and Marketing Director. After each meeting, the Chairman reports to the Board on the business undertaken by the Audit Committee.

The Audit Committee met the Chief Financial Officer, the Chief Internal Auditor and Deloitte LLP independently of management and the Chairman of the Board.

Significant issues considered during the financial year

The significant issues considered by the Audit Committee during the financial year were addressed as set out below and on page 82. The Audit Committee considers each of these items as being significant due to their potential impact on the performance of the Group's activities.

1. Significant critical accounting judgements

See table on page 82.

2. 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 going concern requirements of the Code to ensure compliance; and
- continued to monitor market conditions to ensure any appropriate adjustments are made to the Group's strategic and financial planning.

Further details on the Group's going concern assessment can be found on pages 117 and 130.

3. Land and work in progress

The Audit Committee:

- reviewed the composition and duration of the Group's land bank; and
- considered the Group's land and work in progress net realisable value reviews at its August 2017, February and August 2018 meetings.

4. 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.

The Audit Committee required Senior Management to consider various scenarios and sensitivities relating to each of the above significant issues. The information presented set out how the Group's activities would be affected under each scenario and the potential mitigations available in each case. Based on this information, the Audit Committee concurred with management's conclusions that the Group is operating within an appropriate range of sensitivities.

Audit Committee report continued

Significant critical accounting judgements and key sources of estimation uncertainty for FY18 remained unchanged from FY17 and comprise:

Significant financial estimates for FY18

Inventory valuation and margin recognition	**Goodwill and intangible assets impairment review**
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 and make estimates relating to future sales price margins on those developments and units. In making these assessments there is a degree of inherent uncertainty and the Group's key control is the site valuation process in which these assessments are determined.	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 estimates

Inventory valuation and margin recognition	**Goodwill and intangible assets impairment review**
The Audit Committee received a presentation on valuations from the Group Commercial Director at its meeting in February 2018. This provided the Audit Committee with an overview of the valuation process, the controls around it, the risks associated with valuations and the mitigations in place, and the proposed new valuation system. The Audit Committee also reviewed the results of: (i) an audit, by a large accounting firm, of the way the Barratt internal audit team audits the valuation process; (ii) independently sourced internal audits of the valuation process in eight divisions undertaken by a large surveying firm; and (iii) the results of the Group's internal audit reviews in all other divisions. Based on the results of the internal audits and the presentations received, the Audit Committee was comfortable with the process and controls adopted by management around the estimation of future income and costs to complete, and thus the process by which the Group's inventory is valued and margin recognised.	The Audit Committee considered a paper on goodwill and intangible assets accounting estimates 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 also at the August meeting in the context of the year end audit. Following detailed consideration of the Material Accounting Policies, Estimates and Judgements paper and the findings of Deloitte LLP, the Audit Committee agreed with the estimates made by management and concluded that the valuation of goodwill and intangible assets remains appropriate.

2018 Annual Report and Accounts: fair, balanced and understandable

The Audit Committee undertook a detailed review of the process undertaken in drafting the Annual Report and Accounts to support its deliberations on whether the 2018 Annual Report and Accounts were fair, balanced and understandable. The process involved various parts of the Group including, the Group Finance team and Company Secretariat with support and advice from other functions and the Company's advisers. This collaborative approach enabled a clear link between the Strategic Report, the Governance section and the Financial Statements. The Audit Committee received an early draft of the 2018 Annual Report and Accounts (including the risk management statement and principal risks disclosure) to allow itself sufficient time to review the disclosures therein. The Audit Committee then assessed, at its meeting in August 2018, whether the 2018 Annual Report and Accounts were fair, balanced and understandable. In reaching its decision, the Audit Committee reviewed:

> the feedback provided by shareholders in respect of the 2017 Annual Report and Accounts;

> the assurances provided in respect of the financial and non-financial management information;

> the balance between statutory and adjusted performance measures;

> 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; and

> 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.

Following detailed consideration, the Audit Committee concluded that the 2018 Annual Report and Accounts:

> accurately reflected the Company's performance in the year under review;

> contained an accurate description of the business model;

> correctly reflected the Company's strategy;

> included consistent messaging between each of the sections of the Report and Accounts; and

> included KPIs which were consistent with the business plan and remuneration strategy;

and therefore the 2018 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 provision C.2.2. of the Code and the FRC guidance on Risk Management, Internal Control and Related Financial and Business Reporting, the Audit Committee revisited 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. The Audit Committee assessed the Group's resilience to the principal risks and uncertainties by stress testing forecasts through the application of a number of adverse scenarios. These scenarios would ultimately result in a fall in the private selling price, impairment of land and a reduction in volume. The scenarios considered were severe representations of the potential risks, applied over a full three-year period. The testing highlighted potential covenant breaches and funding requirements in excess of the Group's facilities. However, on application of the mitigating actions available, the Group would be able to operate within its current facilities and meet its financial covenants. The Audit Committee was therefore comfortable that the Group would maintain resilience in the event such scenarios occurred and concluded that there was a reasonable expectation that the Group would continue to operate and meet its liabilities over a three-year period. Accordingly, the Audit Committee agreed that the long term viability assessment should continue to be performed over a three-year timespan. This conclusion was communicated and recommended to the Board for approval.

The long term viability statement is shown on page 56 of the Strategic Report.

The effectiveness of internal controls and the risk management process

The Audit Committee plays a vital role in reviewing the effectiveness of internal controls and the risk management processes 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 48 to 56 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, which is approved by the Audit Committee, is set with reference to the principal risks of the Group including those risks associated with culture, safety, health and environment and other business process areas. It includes full divisional audits and targeted audits of key risk areas such as land acquisition and sale, cost controls, WIP, Treasury, payroll and HR. Where the Internal Audit team does not have the expertise or resources required to conduct complex audits they obtain external assistance.

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, for example using fixed rate debt to manage interest rate risk. The Group does not use derivative financial instruments for speculative purposes. Activities are delegated, by the Board, to a centralised Treasury Operating Committee. The Treasury department operates in accordance with the guidelines contained within approved treasury policies that are established by the Board and the Treasury Operating Committee.

Specifically, in relation to risk management and internal control, the Audit Committee, during the year:

> monitored and reviewed the effectiveness of risk management and internal controls;

> placed focus on key controls in operation in the business including the valuations process;

> 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 2018;

> held a discussion with the external auditors on the effectiveness of IT controls within the Group;

- 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 could threaten the business model, future performance, solvency and liquidity and agreed with management's assessment that they are being appropriately managed;
- had in-depth discussions around a number of risks and internal controls throughout the business including: valuations, Group IT, cyber risk, General Data Protection Regulations and mortgage availability;
- 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 procedures for the identification, assessment and reporting of risks;
- 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 48 to 56 of the Strategic Report.

The Audit Committee recognises the recent progress the Risk Committee has made to embed further risk management into the business. The further planned development will be assessed during FY19.

Review of accounting policies

The Audit Committee considered the accounting standards applied 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. The Audit Committee approved the adoption of IFRS 9 and IFRS 15 for the financial year ended 30 June 2019. Further information on the impact of accounting standards is on page 131.

External Auditor

i) Audit performance and effectiveness

The Audit Committee assessed the performance of the external auditor and the effectiveness of the external audit for FY18. In coming to its conclusion the Audit Committee reviewed amongst other matters:

- feedback on the effectiveness and performance of the external audit from Group, divisional and regional management and the Chief Internal Auditor who were closely involved in both the half year and full year reporting processes;
- Deloitte LLP's fulfilment of the agreed audit plan for FY18;
- reports highlighting the material issues and accounting judgements that arose during the conduct of the audit; and
- Deloitte LLP's objectivity and independence during the process.

The Audit Committee 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. Deloitte LLP's performance as auditor to the Company during FY18 was therefore considered to be satisfactory.

ii) Interaction with the FRC

We can confirm that, during the financial year under review, the Company had no interaction with the FRC's Corporate Reporting Review Team or its Audit Quality Review Team.

We have received, reviewed and taken note of the Financial Reporting Council's Audit Quality Inspection report on Deloitte LLP, published in June 2018.

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 non-audit to audit fees to ensure that it does not exceed the 1:1 ratio prescribed by that policy, further details of which are set out in section (iv). During FY18 £47,000 was paid to the auditor for non-audit services (including audit related services) out of a total fee paid for all services of £412,000, non-audit fees therefore represented 11.4% of audit fees. Further details of the audit and non-audit fees incurred by the Group can be found on page 134.

The majority of the non-audit fees related to review of the interim report and other services which comprised advice provided on land acquisitions and disposals and other transactions in the normal course of business. 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. This safeguard will be applied to any non-audit work that the auditor may be asked to provide by the Committee. 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. Taxation compliance and advisory services were put to a full competitive tender in FY17. As a result, PwC was appointed as the Group's tax adviser and has continued to provide such services throughout FY18.

iv) Auditor independence and non-audit fees policy

In FY18, the Committee reviewed the policy on Auditor Independence and non-audit fees to ensure it remains appropriate. The Policy sets out the duties of the Audit Committee with respect to protecting the objectivity and independence of the auditor and codifies: the limited range of services which have been pre-approved by the Audit Committee; permitted services which must be approved by the Audit Committee before being provided; and those services that the Auditor will not be permitted to provide under any circumstances. The policy is available at www.barrattdevelopmentsplc.co.uk/investors/corporate-governance. The Audit Committee monitors non-audit fees paid to the Auditor by the Group at each Committee meeting.

The review confirmed that the Policy remains fit for purpose and has been drafted in line with the requirements of the Ethical Standard.

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 of the Chairman of the Company; the Chair of the Audit Committee and the Chief Financial Officer.

Deloitte LLP do not provide services to the Group that are prohibited under the Policy. Where the auditor does provide non-audit services, independence and objectivity is maintained as they are managed by a partner with no involvement with the Audit of the Group.

Under the Policy the Company is required to annually obtain written confirmation from Deloitte LLP that they remain independent. For FY18 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 LLP'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.

External audit tender

Deloitte LLP were first appointed as Auditor to the Group in 2007. The Group therefore, put the office of external auditor out to a competitive tender process in FY17, which was fully reported in the 2017 Annual Report and Accounts. Two firms were recommended to the Board by the Audit Committee for consideration (noting that Deloitte LLP were the preferred choice). Following due consideration, the Board, unanimously agreed to re-appoint Deloitte LLP to take effect from the FY18 audit. Having conducted this competitive tender, the Company has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014 issued by the CMA on 26 September 2014. In accordance with the FRC Guidelines, upon Deloitte LLP's re-appointment, the serving lead audit partner, Mark Goodey, having served five years, stepped down at the end of the FY17 Audit. Claire Faulkner took over as the lead audit partner for the FY18 external audit.

Under current regulations the Company is not due to re-tender its audit until 2027, however the Audit Committee will continue to monitor the performance of the External Auditor during this time and make recommendations accordingly.

On the recommendation of the Audit Committee the Board is recommending a resolution at this year's Annual General Meeting that Deloitte LLP be re-appointed for a further year.

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, PwC undertook an external evaluation of the effectiveness of the Internal Audit function. This effectiveness review confirmed that the Internal Audit team continues to operate independent from management and that feedback was positive as to the coverage of the Audit Plan. Following the results of the external review, the Audit Committee confirmed that in its opinion, Internal Audit had operated effectively and provided an appropriate level of independent scrutiny of the operations of the Group throughout FY18. To further improve the effectiveness of Internal Audit, the Chief Internal Auditor will look to implement the recommendations made by PwC, in respect of further enhancing the risk based approach by Internal Audit and co-sourcing some of the more technical audit areas to specialist audit firms. This will be done as part of the audit plan for FY19.

Audit Committee effectiveness

The 2017 internal performance evaluation of the Audit Committee was generally positive and actions have been taken with regards to each recommendation as set out on page 67. This year the Audit Committee's evaluation was also performed internally along with the Board effectiveness review. The outcomes and actions arising from this review are described in more detail on page 68.

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, such as on corruption, human rights, safety, bullying or harassment, that require urgent attention are notified to the Group immediately, all other issues are notified within 24 hours. 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:

Jock Lennox
Chairman of the Audit Committee

4 September 2018

Safety, Health and Environment Committee report

> Businesses have an impact on stakeholders and the environment in which they operate. At Barratt we design our developments and working practices so our stakeholders are safe and the environment is protected. We believe that our focus on safety and health improves our efficiency, the quality of our product and our customer service.

Richard Akers
Safety, Health and Environment Committee Chairman

Statement from the Chairman of the Safety, Health and Environment ('SHE') Committee

The health and safety of our employees and customers and the protection of the environment around our developments remain the Group's key priorities and are embedded within the day to day operations of the business.

The SHE Committee's activities help to mitigate some of our key operational risks relating to Health, Safety and the Environment. By receiving reports and challenging those tasked with SHE performance where necessary, the Committee helps the business to improve its SHE standards. It supports and oversees the direction and implementation of SHE Policy and Procedures through underpinning efficient working practices, preventing direct costs associated with incidents, and supporting the culture and ongoing sustainability of the Group.

This Committee continues to work closely with the SHE Operations Committee to oversee and provide stewardship of the Group's SHE operational performance. We hold at least one joint meeting during each year enabling the members of the Committee to gain more of an in-depth understanding of the operational issues and to discuss them directly with those responsible for day to day SHE management. During the year two meetings were held, one of which was a joint meeting.

The Committee has formal terms of reference, which have been reviewed during the year. The terms of reference are available at www.barrattdevelopments.co.uk/investors/corporate-governance.

The key aspects of this Committee's role as defined in these terms of reference 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;
- review the scope of and 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 how they were caused, 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 measures which are to be applied to the annual bonus scheme and monitor performance against such measures.

Key achievements in FY18

Each Director carried out a SHE site visit during the year. These visits aim to provide an insight into how SHE is managed in addition to providing more detailed information on some of the initiatives we have put in place to further improve the SHE culture on our sites. Employee participation is a key aspect of this and the visit involves a site tour with the SHE Director and site team during which the challenges to managing risk on site are reviewed and discussed. Not only do these visits play an important role in ensuring our Board has a full understanding of this vital part of our business, it also benefits the site teams to see the emphasis being placed on SHE by the Board.

We have continued to monitor our SHE performance targets, our key performance indicators and our injury incidence rate, all of which are available in the Strategic Report on pages 10 and 40. Our injury incidence rate showed an increase during FY18. Many of these are due to individual errors and our focus is on reinforcing the individual's responsibility for their own safety. We will work with our management teams to drive improvements in the percentage of injuries. There have been no work-related fatalities of direct employees over the last three years.

We have continued to operate the SHE management system that has been in place for the last few years and which has been reviewed during the year to comply with the revised ISO standard. An audit by the British Safety Council of our SHE policies, processes and procedures took place in July 2018 and we are proud to confirm that we have again been granted 5 star status. We strive to ensure that our SHE policies and procedures are kept up to date with the latest regulation and best practice and are relevant to the business through continuous improvement.

The external verification by the British Safety Council of our health and safety approach and the quality of our policies and procedures provides a benchmarking service against industry standards, but, of more importance is the impact our policies have on keeping our people safe in the workplace. Consequently, all employees are required to familiarise themselves with these policies, processes and procedures during their induction and attend prescribed health and safety courses throughout their time with the Group.

The SHE training provided to employees and site based workers is continually reviewed to ensure it is fit for purpose and up to date. All Senior Management are required to complete the IOSH Leading Safely training course.

Safety, Health and Environment Committee report continued

To ensure compliance, our network of in-house SHE professionals assist our management teams and continue to emphasise the application and implementation of our SHE management system. They also carry out site monitoring visits to all sites at least monthly, which are in the main unannounced, in order to monitor the implementation of policies and procedures. The results of these visits are reviewed by the SHE Director and the Committee.

We have implemented an ongoing programme of drugs and alcohol testing for employees and sub-contractors resulting in sampling being undertaken on a random selection of sites and offices across the Group. Individuals selected for testing are also randomly selected.

We have refreshed and extended our working with schools initiative which highlights the potential dangers of construction sites to their pupils. The 'Working Safely with Schools' initiative includes a short film and various puzzles enabling the pupils to engage with the subject area, and a number of other elements to enhance the learning experience for a younger audience. This has been well received by local schools and our site managers are delivering it across the country.

We launched a campaign concentrating on occupational and mental health, offering advice on healthy lifestyles and achieving a healthy work life balance. We have created a health and wellbeing calendar which has been made available to employees concentrating on advice relating to different health related topics each month.

Areas of focus for FY19

During FY19, we will:

- concentrate on the augmentation of our wellbeing and occupational health programmes and support our supply chain to meet this obligation;
- progress with our programme of random drugs and alcohol testing in line with our policy in this area;
- look to improve our IIR; and
- update our SHE management system to comply with ISO 14001.

Our most important asset is our people and therefore it is important that the safety and wellbeing of all employees (direct and indirect) remains a top priority for this Committee and the Group Board.

Membership and attendance at SHE Committee meetings

The Directors who are members of the SHE Committee and their attendance at the two scheduled meetings during the year are shown in **Table 9**. 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, at the request of the Chairman, to attend all or part of any meeting where it is deemed appropriate.

Table 9 – SHE Committee membership and attendance to 30 June 2018

Member[1]	Role	Number of meetings attended
Richard Akers	Chairman	2/2
Steven Boyes	Member	2/2

[1] The Group's SHE Director also attended 2/2 meetings during the year.

Note:
X/ Number of meetings attended whilst a Director.
/X 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 is responsible for implementing and oversight of the overall SHE improvement strategy for the Group.

Richard Akers
Chairman of the SHE Committee
4 September 2018

Remuneration report – Annual statement from the Chairman of the Remuneration Committee

> Our Remuneration Policy is proving effective in aligning Executive Directors' interests with those of shareholders whilst taking into account remuneration practices across the business. It remains robust, fit for purpose and ensures that Executive Directors are only paid for performance that drives long term shareholder value.
>
> **Richard Akers**
> Remuneration Committee Chairman

On behalf of the Board, I am pleased to present our Remuneration Report for the financial year ended 30 June 2018. Our Remuneration Report comprises of three parts: this Annual Statement, the Remuneration Policy and the Annual Report on Remuneration.

Remuneration Policy

Shareholders approved the Remuneration Policy at the last AGM with over 98% of the votes in favour. This year we further reviewed our Remuneration Policy as part of our annual processes taking into account remuneration best practice. We concluded that our Remuneration Policy remains fit for purpose, continues to be in line with shareholder expectations and current best practice and only pays Executive Directors for performance. We therefore propose no changes for FY19. Our intention is that this Policy will remain in place until 2020. We are, however, mindful that the New Code may affect our Remuneration Policy and our remuneration practices. During FY19, we will review the requirements of the New Code in detail, and in conjunction with our remuneration and legal advisers, will make amendments to our Policy and practices as deemed necessary.

Pay ratios

The Remuneration Committee considers various pay ratios and finds them to be a useful tool when determining Executive Directors' remuneration. They help the Remuneration Committee ensure that Executive Directors' pay remains aligned with that of the wider workforce. Accordingly, the Remuneration Committee welcomes the introduction of the CEO pay ratio and is working with its advisers to calculate the ratio and the accompanying disclosure. A full disclosure on the CEO pay ratio will be included in next year's Remuneration Report.

Gender pay gap disclosure

In March 2018 we published our Gender Pay Gap report. The Group has a mean gender pay gap of 1.3%, and our median gap is 1.6%, which is low when compared to the gender pay gap across the UK of 17.4%. Our mean bonus gap stands at 39.7% and our median bonus gap at -6.2%. Further details can be found on page 39 of this Annual Report and Accounts and the full disclosure is on our website at www.barrattdevelopments.co.uk.

We are cognisant of the BEIS recommendations on gender pay reporting published in August 2018. We are currently evaluating the impact of the recommendations on our approach to collating the data and on the drafting of our disclosure for 2019.

Shareholder engagement

In July 2018, we provided an update on Executive Directors' remuneration outcomes for FY18 and proposed remuneration for FY19 to our major shareholders and institutional voting agencies. No areas of concern were raised. Details of remuneration for our Executive Directors is summarised within this statement.

Employee engagement

We are mindful of the requirement of the New Code for engagement with the wider workforce on various matters including Executive Directors' remuneration. To facilitate this, we established an Employee Forum during the year. Further details on the Employee Forum can be found on page 71. The Remuneration Committee (and the Board) look forward to working with this forum which is expected to play an important role in the business going forward.

FY18 Performance and reward

The Company has produced another year of good results. As explained in the Remuneration Policy, when setting the targets for our performance related remuneration, we take into account the steps the Group needs to take in order to achieve the strategy set by the Board. This year, the strong leadership of our Executive and Senior Management Team has resulted in the business meeting, and in some cases exceeding, the financial and non-financial performance targets set for both short term and long term incentives (see pages 102 and 104). Accordingly, in recognition of this and taking into account the extent to which the Executive Directors have met their personal objectives (Page 103), the Remuneration Committee agreed that the financial performance of the Company fully supports an annual bonus payment in the range of 138% to 146% for Executive Directors. Details of individual payouts and the amounts to be deferred into shares can be found on page 102 and 103.

In addition, the LTPP award granted in October 2015 was tested after the year end and 76.4% of the award granted to David Thomas and Steven Boyes and 100% of the award granted to Jessica White vested. The difference is explained more fully in Note 1 of **Table 20** on page 104. The net shares (after the payment of any tax and NI due on release) will be subject to a further two-year holding period. Full details of the achievements against each of the bonus and LTPP targets can be found on pages 102 to 105.

Remuneration report – Annual statement from the Chairman of the Remuneration Committee continued

FY19 Executive Directors' remuneration

Details of the remuneration for each of the Executive Directors for FY19 are set out on pages 99 to 100. Salary increases are in line with the wider workforce and pension contributions, annual bonus opportunity and LTPP award levels remain unchanged from the previous financial year. The metrics for the annual bonus and the LTPP will also remain the same as FY18.

FY19 Chairman and Non-Executive Directors' fees

The Remuneration Committee (excluding the Chairman) agreed to increase the Chairman's fee in line with the Executive Directors and the wider workforce. In addition, a committee of the Board comprising the Chairman and the Executive Directors, agreed to increase the fees of the Non-Executive Directors as well as for the Chairs of each of the Committees and the Senior Independent Director. The revised fee levels reflect market benchmarks for companies of a comparable size and complexity. Details of the fees proposed for each of the Non-Executive Directors for the financial year ending 30 June 2019 are set out on page 100.

Remuneration Consultants

During the year, the Remuneration Committee tendered the remuneration consultants' position. Consequently, PwC took over from Aon as remuneration advisors to the Remuneration Committee, with effect from 1 January 2018. Details of the tender process and the fees paid to both Aon and PwC can be found on page 97.

Conclusion

The Remuneration Committee believes that the Remuneration Policy approved by shareholders at the 2017 AGM and our current remuneration practices continue to drive appropriate behaviours by management and follow best practice guidelines.
They align the Executive Directors with shareholders through: the performance targets set; the requirement to retain a specific level of shareholding in the Company; the deferral of any annual bonus received over 100% salary into shares and the two year net of tax holding requirement following vesting of any LTPP award.

We therefore hope that you will continue to support the Annual Report on Remuneration presented at the AGM in October 2018.
On behalf of the Board, I would like to thank you for your continued support of our remuneration framework and I look forward to seeing many of you at the AGM.

Richard Akers
Chairman of the Remuneration Committee

4 September 2018

Our remuneration strategy

Our most important asset is our people. Our remuneration strategy therefore seeks to ensure that we appropriately reward our employees for performance against the Group's key objectives whilst delivering sustainable shareholder value.

Aims of our Remuneration Policy:

- To 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.
- To 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.
- To take account of pay and employment conditions of employees across the Group whilst reflecting the interests and expectations of shareholders and other stakeholders.
- To 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.
- To ensure that there is no reward for failure and that termination payments (if any) are limited to those that the Executive Director (or member of Senior Management) is legally entitled to.
- To ensure that 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 across the wider workforce, 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 Directors' Remuneration Policy see pages 80-89 of the Annual Report and Accounts 2017.

Remuneration report – Overview for FY18

The summary below outlines the remuneration package for Executive Directors throughout the year under review, 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 97 to 111.

Executive Directors' remuneration package for the year ended 30 June 2018

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

Annual Bonus
(max 150% of salary)

Bonus in excess of 100%
of salary deferred into shares

Link to strategy:

The measures support the Group's strategy to grow volumes and deliver margin improvements.

FY18 Performance metrics:

Financial – 112.5% of salary

Profit before tax – 82.5% (support profitability)

Land – 15% (drive the ownership of optimum amount of land to support business activities)

Operating Margin – 15% (To enhance the operating margin of the business)

Non-financial/strategic/personal – 37.5% of salary

Quality and Service – 22.5% (to create a quality product in a safe environment)

Personal Objectives – 15% (to incentivise the achievement of role specific targets)

Long term incentive

Long Term Performance Plan (max 200% of salary)

Link to strategy:

The measures support the Group's strategy to deliver margin improvements and return excess cash to shareholders.

FY18 Performance metrics for both Annual incentive and Long term incentive:

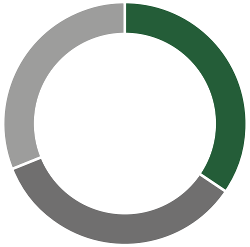
Earnings per Share ('EPS') – 20% (to support the increase of earnings)

Return on capital employed ('ROCE') – 40% (to optimise the efficiency and profitability of investments)

Total Shareholder Return ('TSR') – 40% (to align the interests of Directors with those of shareholders)

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

Chief Executive – Total remuneration FY18

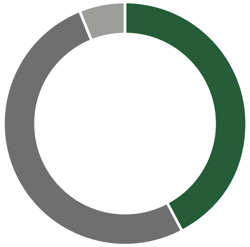


	£000
● Salary, pension and benefits	922
● Annual incentive	992
● Long term incentive	897

Deputy Chief Executive – Total remuneration FY18

	£000
● Salary, pension and benefits	750
● Annual incentive	828
● Long term incentive	710

Chief Financial Officer – Total remuneration FY18



	£000
● Salary, pension and benefits	480
● Annual incentive	583
● Long term incentive	67

Remuneration report – Directors' Remuneration Policy – Summary

The Company's current Directors' Remuneration Policy (the 'Policy'), was approved by shareholders at the 2017 AGM on 15 November 2017 with 98.8% of the votes cast being in favour. The Policy took formal effect from that date, replacing the previous policy approved by shareholders at the 2014 AGM. We are proposing no changes to the Policy for FY19 and intend for the policy to remain in place for three years from the date of adoption. Should the Remuneration Committee believe that any changes are required, any proposed revisions will be discussed with shareholders and their views sought in advance of the AGM at which approval for the revised policy will be sought.

Future policy table

The full version of the Policy can be found on pages 80 to 89 of the 2017 Annual Report and Accounts which is available on our website http://www.barrattdevelopments.co.uk/Investors.

A summary statement of the Policy is shown below. A description of how the Company implemented the Policy in FY18 can be found on pages 97 to 111 and details of how the Policy will be applied for FY19 are set out on pages 99 to 100.

Element of pay	How operated in practice	Additional information
Base salary To help promote the long term success of the Company, to attract and retain high-calibre Executive Directors to deliver the Group's strategy and to 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 any increases usually effective from 1 July. See page 99 for Executive Directors' salaries with effect from 1 July 2018.

Element of pay	How operated in practice	Other information
Benefits (taxable) To support the health and well being of Executive Directors whilst they undertake their roles.	Benefits normally include: > company car; > private medical insurance; > some telephone costs; and > contributions towards obtaining independent financial advice. Other benefits offered to the wider workforce will also be offered to Executive Directors on the same basis.	The Committee does have the discretion to offer other benefits, 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.
Pension 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: > participate in the Company's money purchase pension plan; or > receive a salary supplement. Executive Directors are also eligible to an insured lump sum of up to five times pensionable salary on death in service.	The Committee retains the discretion to honour the pension contribution for those individuals who are internally promoted to the position of Executive Director. 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 109.

Element of pay	How operated in practice	Maximum opportunity
Annual bonus To motivate and reward Executive Directors for the achievement of demanding financial and non-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').	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 against FY18 targets is shown on page 102.

Element of pay	How operated in practice	Additional information
Deferred Bonus Plan ('DBP') To encourage long term focus and to further align interests with those of shareholders and discourage excessive risk taking.	Any annual bonus earned in excess of 100% of salary is deferred into shares and held in this plan for a period of three years and is subject to a continued employment condition. Deferred shares will normally accrue dividend equivalents during the deferral period. Dividend equivalents may be paid in cash or shares on the vesting of the award. Malus and Clawback may apply in the event of material misconduct and/or material misstatement or error of financial results. For full details see page 94.	No performance conditions apply to the vesting of awards other than continued employment condition.
Long Term Performance Plan ('LTPP') 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 to align their interests with those of our shareholders.	Executive Directors are eligible to participate in the Company's LTPP. LTPP 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. Malus and Clawback may apply in the event of material misconduct and/or material misstatement or error of financial results. For full details see page 94. Following approval at the 2017 AGM, LTPP Awards granted on or after 15 November 2018 will attract dividend equivalents which may be paid in cash or shares on the vesting of the award.	LTPP 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 the targets, while stretching, are: realistic and attainable; for the long term benefit of the Group; and do not encourage inappropriate business risks. Overall, the Committee must be satisfied that the underlying financial and non-financial performance of the Group over the performance period warrants the level of vesting as determined by applying the above targets. If the Committee is not of this view, then it is empowered to reduce the level of vesting (potentially to nil). Performance so far against the targets for the awards made in 2015, 2016 and 2017 can be found on page 104 and 105. Details of the awards due to be granted in 2018 are set out on page 100.
Savings Related Share Option Scheme ('Sharesave') 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 employees.	Under the standard terms of the Sharesave, employees must have completed the requisite length of service as at the invitation date to be 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 within the limits prescribed by legislation and HMRC, for a period of three or five years. At the end of the savings period the employee has six months in which to exercise their option.	The five-year Sharesave granted in 2013 and the three-year Sharesave granted in 2015 matured on 1 June 2018 and 1 July 2018 respectively. During the year, Steven Boyes exercised his options following the vesting of his 2014 sharesave scheme in accordance with the rules and elected to retain his shares. See page 107. In addition, he exercised his options under the 2015 sharesave in July 2018 and also retained these shares. Options granted to Executive Directors under the Sharesave Scheme can be found in **Table 26** (pages 106 to 108).
Non-Executive Directors' fees (including the Chairman) To attract and retain high quality and experienced Non-Executive Directors (including the Chairman).	The Chairman and the Non-Executive Directors' fees are reviewed annually and are normally set by reference to the level of fees paid to Chairmen and Non-Executive Directors serving on boards of similarly-sized, UK-listed companies, taking into account the size, responsibility and time commitment required of the role. The Chairman's and Non-Executive Directors' fees are paid in cash, 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 Environment Committees and the Senior Independent Director. Additional fees may be paid where, in exceptional circumstances, the normal time commitment is significantly exceeded.	The Remuneration of the Non-Executive Directors is set by the Board on the recommendation of a Committee comprising of the Chairman and the Executive Directors. The Board sets the remuneration of the Chairman. Neither the Chairman nor the Non-Executive Directors 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. Expenses incurred by the Chairman and the Non-Executive Directors in the performance of their duties for the Company (including taxable travel and accommodation benefits in connection with travelling to a permanent workplace) may be reimbursed or paid for directly by the Company, as appropriate.

Remuneration report – Directors' Remuneration Policy – Summary continued

Guidelines on Responsible Investment Disclosure

In line with the Investment Association's 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. More generally, when it considers appropriate, the Committee will also consider the sustainability strategy of the Group and assess that the strategy and its performance management is adequately supported by the remuneration structure and targets. The Committee considers that no element of the remuneration package will encourage inappropriate risk taking within the Company.

Remuneration Committee discretion

The areas of the Policy over which the Committee has discretion are included in the policy table set out on pages 80 to 85 of the 2017 Annual Report and Accounts. However, we have summarised the key discretions below:

- amendment of salary or the award of higher increases in exceptional circumstances;
- vary benefits offered to secure new appointments;
- honour pension contributions for internal promotions;
- whether or not to make a bonus award and whether payment should be made to anyone who has handed in their notice to leave the business;
- what performance conditions should be attached to annual bonus and LTPP awards and the weighting of each to be applied;
- determining the timing of grants of awards and/or payments;
- determining the quantum of awards and/or payments (within the limits set out in the policy table on pages 80-85 of the 2017 Annual Report and Accounts);
- determining the application of dividend equivalents, whether they be issued in shares or cash and retaining the ability to adjust the amount paid;
- determining the extent of vesting based on the assessment of performance;
- making the appropriate adjustments required in certain circumstances (e.g. change of control, rights issues, corporate restructuring events, and special dividends); and
- determining 'good leaver' status for incentive plan purposes and applying the appropriate treatment.

If an event occurs which results in the annual bonus plan or LTPP performance conditions and/or targets being deemed no longer appropriate (e.g. a material acquisition or divestment) the Committee will have the ability, in limited circumstances, to adjust appropriately the measures and/or targets, to alter the weighting of the measures, and to reduce any annual bonus or LTPP awards (potentially to nil) in the event that the underlying financial and non-financial performance of the Group does not warrant the level of vesting.

Malus and Clawback

Both the annual bonus (including any deferred bonus) and the LTPP are subject to the malus and clawback ('Malus and Clawback') provisions contained in the plan rules for a period of two years following vesting. Malus and Clawback is applicable in respect of any annual bonus paid or deferred and to any share awards granted under the LTPP, subject in the case of HMRC approved options, to such approval.

Clawback can be invoked if:

(a) the Company has to restate its Financial Statements due to 'prior period errors' as defined by International Accounting Standard 8 and such errors resulted in that Award vesting to a greater degree than would have been the case had that error not occurred;

(b) the Committee forms the view that in assessing the extent to which any Performance Condition and/or any other condition imposed on the Award was satisfied such assessment was based on a material error and that such error resulted in that Award vesting to a materially greater degree than would have been the case had that error not been made; or

(c) the relevant individual ceases to be a director or employee of a member of the Group as a result of their summary dismissal because of their gross misconduct which has caused loss or damage to a member of the Group.

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.

Recruitment of Executive Directors

The Committee will determine the remuneration for any new Executive Directors in accordance with the Policy then in force and will take into consideration salary and benefits, pension, annual bonus and LTPP awards and buyout of existing entitlements. More details can be found on pages 86 and 87 of the 2017 Annual Report and Accounts, a copy of which can be found on our website www.barrattdevelopments.co.uk.

Executive Directors' policy on payment on loss of office

There are 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. Further details of the full policy, including where the Company reserves the right to make additional payments, the application of mitigation against contractual obligations, and how the Remuneration Committee takes into account the rules of the annual bonus and LTPP schemes can be found on pages 87 and 88 of the 2017 Annual Report and Accounts which is available from our website www.barrattdevelopments.co.uk.

Differences between Executive Directors' and employees' remuneration

The following differences exist between the Company's Policy for the remuneration of Executive Directors as set out in the Policy table on pages 80 to 85 of the 2017 Annual Report and Accounts and its approach to the payment of employees generally:

- a lower level of maximum annual bonus opportunity may apply to employees other than the Executive Directors. All employees, including Executive Directors, are subject to similar performance targets, however the weightings against the various targets may vary;
- Executive Directors may earn an annual bonus in excess of 100% of salary. Any bonus earned in excess of 100% of base salary is deferred into shares for a period of three years;
- Executive Directors may opt to receive a cash supplement in lieu of being auto-enrolled or contributing to the defined contribution section of the Barratt Group Pension and Life Assurance Scheme. The cash supplement or employer's contribution rate for existing Executives does not exceed 25% of base salary. For all other employees, the maximum rate of employer's contribution varies between 5%–25%. Any new Executive Directors will be at the same rate as Senior Management from time to time; and
- Executive Directors are able to participate in the LTPP. A number of select employees at Senior Management level may be invited to participate in the LTPP at the Committee's discretion.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals. They also reflect the greater emphasis placed on performance-related pay for Executive Directors.

Executive Directors' shareholding requirements

To further align the interests of Executive Directors to those of shareholders, Executive Directors are required to build and retain a shareholding equivalent to 200% of base salary (FY17: 200%) in the Company's shares within five years of the shareholding requirement coming into force or the Executive Director being appointed to the Board, whichever is the later. The share price used for the purposes of determining the value of the shares is that prevailing on 30 June of the given year. The Committee reserves the right to amend the percentage holding required by the Chief Executive and the other Executive Directors depending on market conditions and best practice guidance.

Details of the Executive Directors' shareholdings can be found in **Table 25** on page 105.

Executive Directors' service contracts

Details of the Executive Directors' service contracts are included in **Table 10** and their emoluments are shown in **Table 15** on page 101. 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 normally entitle Executive Directors to the provision of a company car, annual medical screening, permanent health insurance, private medical insurance, some telephone costs, contributions to the cost of obtaining independent financial and tax advice and payment of legal fees on cessation of employment. The Committee regularly reviews 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 AGM.

Table 10 – 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
Jessica White	21 June 2017	22 June 2017	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.

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. 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 effect on the Director's ability to perform their duties to the Company.

Remuneration report – Directors' Remuneration Policy – Summary continued

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 11**.

Table 11 – Non-Executive Directors' letters of appointment as at 30 June 2018

Non-Executive Director	Date elected/ re-elected at AGM	Date first appointed to the Board	Date last re-appointed to the Board
John Allan	15 November 2017	1 August 2014	1 August 2017
Richard Akers	15 November 2017	2 April 2012	1 April 2018
Nina Bibby	15 November 2017	3 December 2012	3 December 2015
Jock Lennox	15 November 2017	1 July 2016	N/A
Sharon White[1]	N/A	1 January 2018	N/A
Tessa Bamford[2]	15 November 2017	1 July 2009	1 July 2015

1 Sharon White joined the Board on 1 January 2018 and will be recommended for election at the 2018 AGM.

2 Tessa Bamford stepped down from the Board on 30 June 2018.

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 or are available on the Company's website: www.barrattdevelopments.co.uk/investors.

Gifts to Directors on leaving employment

The Committee reserves the discretion to approve gifts to long serving Directors who are retiring or who are 'good leavers' 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 (excluding any tax or VAT liability). Where a tax or VAT 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 the maximum limit.

On leaving the business, Tessa Bamford received a gift from the Company in recognition of her contribution to the Board. Details can be found in the footnote 2 to **Table 16**.

Legacy arrangements

For the avoidance of doubt, 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.

Statement of consideration of pay and employment conditions elsewhere across the Group

The level for all employees' salaries is determined with reference to the rate of inflation, salaries for similar positions throughout the industry and general themes and trends in respect of remunerating employees.

When reviewing the pay and employment conditions of Executive Directors, including increase in base salary, the Committee takes into consideration the pay and employment conditions of all employees across the Group.

The Company does not directly consult with employees when setting Executive Directors' remuneration, however given that the Company operates the Sharesave in which all employees can participate and become shareholders in the Company, they can comment on the Group's Remuneration Policy in the same way as all of our other shareholders. In addition, the Company provides a number of forums through which employees can ask questions on such matters should they so wish.

Statement of consideration of shareholder views

Each year we normally update our major shareholders upon the Committee's application of the Policy and our performance, following the release of the July trading update and in advance of the publication of our Annual Report and Accounts. The Committee takes into account shareholder feedback received from this exercise and any additional feedback received during any meetings from time to time, as part of the Company's annual review of the Policy. In addition, the Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be proposed to the Policy. Details of the votes cast for and against the resolution to approve last year's Remuneration report and any matters discussed with shareholders during the year are detailed throughout this Remuneration report.

Remuneration Committee – Annual report on remuneration

In this section, we describe how the Policy will be applied in FY19 and how it has been implemented throughout FY18 together with the resulting payments to Directors. The Annual report on remuneration will be subject to an advisory vote at the 2018 AGM.

Membership and attendance at Committee meetings

Membership of the Committee and attendance at each of its scheduled meetings during the year is set out in **Table 12**.

Table 12 – Remuneration Committee membership and attendance to 30 June 2018

Member	Role	Number of meetings attended
Richard Akers	Chairman	4/4
John Allan	Member	4/4
Nina Bibby	Member	4/4
Jock Lennox	Member	4/4
Sharon White[1]	Member	2/2
Tessa Bamford[2]	Member	4/4

[1] Sharon White joined the Board on 1 January 2018.

[2] Tessa Bamford stepped down from the Board on 30 June 2018.

Note:

X/ Number of meetings attended whilst a Director.

/X Number of meetings whilst a Director.

The Company Secretary acts as Secretary to the Committee.

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. 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. The Committee decided, given the length of tenure of the existing consultants, to retender the appointment. Three firms were invited to tender and attend a meeting with the Chair of the Remuneration Committee, the HR Director and the Company Secretary. Consequently, based on their presentation, the scope of work and fee levels proposed, PricewaterhouseCoopers were appointed as the new advisers to the Remuneration Committee with effect from 1 January 2018.

During the year the Committee has taken advice from its independent advisers on general remuneration policy and practice, implementation of its decisions and remuneration benchmarking. The Chairman of the Committee also sought advice from the appointed consultants independent of management on various matters to be discussed at Committee meetings. The fees payable to the remuneration advisers are based on an annual fixed fee for a specified service with anything outside this scope being charged on a time and disbursement basis. The fees paid to the remuneration advisers are shown below:

		Fees paid	Fees paid
Remuneration consultants	Tenure	Year ended 30 June 2017 (£)	Year ended 30 June 2018 (£)
PricewaterhouseCoopers LLP ('PwC')	1 January 2018 to 30 June 2018	N/A	28,500
New Bridge Street ('Aon'),	1 July 2017 to 31 December 2017	72,830	50,689

Both Aon and PwC are signatories to the Remuneration Consultants Group's Code of Conduct and have no connection to the Company other than those outlined below. As part of the annual review and re-appointment process the Remuneration Committee satisfies itself that the advice it receives remains independent and that the advisers were both objective and independent during the year.

PwC also provide taxation, consultancy and internal audit services to the Group. Aon plc also provided broking services to the Company in respect of private medical insurance, death in service benefits, group income protection and insurance services.

In addition to advice from the appointed Remuneration Consultants, the Committee also receives input into its decision making from the Chief Executive (David Thomas), the Company Secretary (Tina Bains) and the Group Human Resources Director (Rob Tansey), none of whom were present at any time when their own remuneration was being considered.

Remuneration report – Annual report on remuneration continued
Remuneration Committee activity FY18

Main activities undertaken during FY18

The Remuneration Committee's role is to determine and agree the Remuneration Policy for Executive Directors and Senior Management and to monitor and report on it. It follows an annual work programme which was fully completed during the year. The Remuneration Committee's responsibilities as delegated by the Board are formally set out in its written terms of reference which are available from www.barrattdevelopments.co.uk/investors/corporate-governance.

The Remuneration Committee

Executive Directors' and Senior Management remuneration

- Reviewed annual performance of the Executive Directors.
- Reviewed fixed and variable remuneration and the relative balance for Executive Directors and Senior Management.
- Considered and approved FY19 salary increases for Executive Directors and Senior Management (page 99).

Committee effectiveness

- Reviewed and made progress against all matters arising from the FY17 annual evaluation.
- Undertook an internal evaluation of its own performance and devised an action plan to address the issues arising from it (page 68).
- Assessed the effectiveness of the Committee's remuneration consultants during FY18 (page 97).

Annual bonus

- Reviewed forecast bonus outcomes for FY18 (page 102).
- Reviewed and approved proposals for the FY19 annual bonus scheme.
- Considered and approved bonus targets for FY19 (page 99).

Governance

- Considered and approved the Remuneration report for FY17.
- Developed a Statement of Intent.
- Reviewed the Remuneration Policy against best practice to determine if any changes were necessary.
- Considered remuneration disclosure requirements and disclosures for the Remuneration report for FY18.
- Reviewed and approved its annual agenda and terms of reference.
- Reviewed and approved the gender pay gap disclosure for issue on the Company's website.

Long term incentives

- Received updates on the potential levels of vesting of outstanding LTPP awards.
- Considered and finalised performance metrics and targets, participants and level of awards for the FY18 LTPP.
- Reviewed the potential structure including participants, level of award and targets of the FY19 LTPP.

Shareholder consultation

- Updated and consulted with shareholders on the implementation of the Remuneration Policy and on remuneration outcomes for FY17, indicative outcomes for FY18 and the proposed remuneration for FY19.
- Considered feedback received from the consultation process in finalising the policy and targets proposed for FY18.

Statement of implementation of the Policy for FY19

Executive Directors' remuneration for FY19 will be based on the Group's Remuneration Policy as approved by shareholders in 2017 and set out on pages 80 to 89 in the 2017 Annual Report and Accounts.

Base salary

The Committee reviewed the salaries of the Executive Directors in April 2018 and the salary of the Chief Executive in June 2018. 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 increase awarded to other employees throughout the organisation (on average 3.3%); and the multiplier effect of an increase in base salary on the package as a whole. On this basis the Committee agreed to increase the salaries of each of the Executive Directors by 3%, in line with the average increase given to other employees across the organisation. The salaries of the Executive Directors with effect from 1 July 2018 will therefore be:

Table 13 – Executive Directors' salary increases

Executive Director	Salary with effect from 1 July 2017 £000	**Salary with effect from 1 July 2018 £000**
David Thomas (3% increase)	717	**739**
Steven Boyes (3% increase)	568	**585**
Jessica White (3% increase)	400	**412**

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

Pension

In FY17 the Committee agreed that any new Executive Director would be given a pension equivalent to that of Managing Directors, currently 15% of salary. The Committee considered pension levels across the Group and in the wider industry and concluded that the 15% cap on new executive directors remains appropriate. During FY19, Jessica White will continue to receive a cash salary supplement of 15% of salary and David Thomas and Steven Boyes (both appointed prior to the cap being in place) will both receive a cash salary supplement of 25% of salary.

Annual bonus

Executive Directors and Senior Management will participate in the Group's annual bonus scheme in accordance with the Policy. The Company is of the view that the individual annual bonus performance targets are commercially sensitive in terms of the Group Strategy therefore these targets will not be disclosed in this report. We will as always disclose the annual bonus targets and performance against them in next year's Remuneration Report.

The performance measures, their reasons for selection and the maximum bonus payment against each of them expressed as a percentage of salary for FY19 will be:

Performance measure	Reason for selecting	Weighting (% of salary maximum)
Financial:		
Profit before tax	Rewards outperformance against stretching targets and is a key measure of our performance.	82.5
Non-financial:		
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.	22.5
Personal and strategic objectives[1]	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.	45.0
Total bonus achievable as a % of salary		150.0[2]

[1] Executive Directors will have one personal objective each as well as two strategic objectives which will be based on trading outlets and delivering margin improvement.

[2] Any bonus earned in aggregate in excess of 100% will continue to be deferred into shares and held in the DBP. Dividend equivalents will accrue against any shares deferred into the DBP.

Profitability remains a key measure for the Group, 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. In order to ensure that the annual bonus performance measures remain appropriate, they have been reviewed against those used in FY18 and the Group's strategy. Following this review, it was concluded that no changes to the performance measures or structure were necessary for FY19.

The Remuneration 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 FY19 will be subject to Malus and Clawback.

LTPP

The level of the LTPP award to be granted to Executive Directors during FY19 will be in line with that set out in the Policy. The Remuneration 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 TSR. Accordingly, the Remuneration Committee has agreed that the extent to which the LTPP award to be granted in 2018 (the '2018/19 LTPP') will vest, will be dependent on three independent performance conditions: TSR, EPS and Underlying ROCE, which will be measured 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.	To ensure that the comparator group remains current and relevant whilst factoring in the continued movement in the Company's market capitalisation.	20%	Below median	Median	Upper quartile
TSR against a housebuilder index[1].	To ensure rewards are linked to outperformance of our peers.	20%	Below index average of peer group	Index average of peer group	Index average +8% per annum
Absolute EPS for the financial year ending 30 June 2021.	To ensure efficient and effective management of our business and align interests with those of shareholders.	20%	below 75 pence	75 pence	84 pence
Underlying ROCE for the financial year ending 30 June 2021[2].	To ensure efficient and effective management of our business and align interests with those of shareholders.	40%	below 19%	19%	22%

[1] The housebuilder index will comprise: Bellway, Berkeley Group, Bovis Homes Group, Countryside Properties, Crest Nicholson, Galliford Try, Persimmon, Redrow and Taylor Wimpey.

[2] See the Glossary on page 181 for the definition of Underlying ROCE.

Vesting will be on a straight-line basis between threshold and maximum. In addition, all LTPP awards are subject to an overriding Committee discretion, whereby 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 above targets. If the Committee is not of this view, it has the authority to reduce (possibly to nil) the level of vesting as it deems appropriate.

The 2018/19 LTPP will also be subject to Malus and Clawback provisions and a two-year holding period will apply from the end of the performance period, on any shares vesting (net of shares sold to satisfy tax and national insurance liabilities).

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 by 3% to £324,450 per annum for the Chairman and £61,800 per annum for each of the Non-Executive Directors with effect from 1 July 2018. The additional fees for the Chairmen of the Committees and the Senior Independent Director were also increased as illustrated in **Table 14** to reflect market benchmarks for companies of a comparable size and complexity. Accordingly, the annual fees payable to the Non-Executive Chairman and Non-Executive Directors with effect from 1 July 2018 are as follows:

Table 14 – Non-Executive Directors' fees

Role	**Fee as at 1 July 2018 £000**	Fee as at 1 July 2017 £000
Chairman (3% increase)	**325**	315
Non-Executive Director base fee (3% increase)	**62**	60
Chairman of Audit Committee (20% increase)	**12**	10
Chairman of Remuneration Committee (20% increase)	**12**	10
Chairman of Safety, Health and Environmental Committee (20% increase)	**6**	5
Senior Independent Director (60% increase)	**8**	5

Directors' remuneration outcomes for the year ended 30 June 2018

Single figure of remuneration

The total remuneration for each of the Directors for the financial year ended 30 June 2018 is as set out in **Tables 15** and **16** below:

Table 15 – Executive Directors' single figure of remuneration (Audited)

	Salary £000		Benefits[1] (taxable) £000		Annual Bonus[2] £000		LTPP £000		Pension Benefits £000		Sharesave Scheme £000		**2018 Total £000**	2017 Total £000
	2017/18	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18[3]**	2016/17[4]	**2017/18**	2016/17	**2017/18[5]**	2016/17		
David Thomas	**717**	696	**26**	17	**992**	1,019	**897**	1,696	**179**	174	**-**	–	**2,811**	3,602
Steven Boyes	**568**	551	**40**	63[7]	**828**	806	**710**	1,696	**142**	138	**6**	–	**2,294**	3,254
Jessica White[6]	**400**	11	**20**	0	**583**	14	**67**	61	**60**	0	**6**	–	**1,136**	86
Total[8]	**1,685**	1,509[8]	**86**	92[8]	**2,403**	1,839	**1,674**	3,453	**381**	375[8]	**12**	–	**6,241**	7,268[8]

1 Benefits (taxable) include the provision of a company car or car allowance, private medical insurance, some telephone costs and contributions towards obtaining independent financial advice.

2 Includes amounts deferred for David Thomas, Steven Boyes and Jessica White (see **Table 19** on page 103).

3 Performance conditions for the LTPP were tested after 30 June 2018. 76.4% of the award granted to David Thomas and Steven Boyes and 100% of the award granted to Jessica White is due to vest in October 2018 (see note 1 of **Table 20** on page 104 for further details). The market price of the shares has been calculated based on an average market value over the three months to 30 June 2018 (£5.53 per share).

4 In accordance with regulatory requirements, the values in this column have been re-calculated using a share price of £6.95 per share being the market value of the shares on the vesting date, 20 October 2017, as opposed to the market price of £5.84 per share calculated based on an average market value over the three months to 30 June 2017 as disclosed in last year's Remuneration report.

5 The Sharesave Scheme granted in April 2014 and matured on 1 July 2017, was subject to no performance measures other than a continued employment condition and completion of a savings contract. The value is calculated using a share price of £5.64 per share being the mid-market close price of a share on the date of maturity.

6 Jessica White was appointed to the Board on 22 June 2017 and her salary, bonus and pension entitlement for 2016/17 reflects the time served on the Board. Jessica White's benefits (including car allowance) and pension supplement for the period 22 June 2017 to 30 June 2017 were £430 and £489 respectively.

7 The benefits (taxable) for Steven Boyes in 2017 includes a cash payment of £30,406 (including tax and national insurance contributions) for the re-imbursement of the cost of a holiday that had to be cancelled to deal with urgent Company business.

8 The 2016/17 totals include the remuneration for Neil Cooper as follows: salary £251,000, benefits £12,000 and pension £63,000.

Table 16 – Non-Executive Directors' single figure of remuneration (Audited)

	Fees £000		Benefits (taxable) £000		**2018 Total £000**	2017 Total £000
	2017/18	2016/17	**2017/18[3]**	2016/17[4]		
John Allan	**315**	305	**0**	0	**315**	305
Richard Akers	**80**	76	**1**	1	**81**	77
Nina Bibby	**60**	58	**–**	–	**60**	58
Jock Lennox	**70**	64	**0**	–	**70**	64
Sharon White[1]	**35**	–	**–**	–	**35**	–
Tessa Bamford[2]	**60**	58	**2**	0	**62**	58
Total	**620**	561	**3**	1	**623**	562

1 Sharon White joined the Board on 1 January 2018. Sharon White's fees are paid directly to Ofcom on a monthly basis.

2 Tessa Bamford stepped down from the Board on 30 June 2018. Benefits (taxable) relates to the value of a gift (£1,059) and the tax payable thereon (£1,132), presented to Tessa by the Board to reflect the significant contribution she made during her period of service.

3 Benefits (taxable) include expenses incurred in attending the Company's main corporate office and for 2017/18 are £372 for John Allan, £769 for Richard Akers and £74 for Jock Lennox.

4 Benefits (taxable) include expenses incurred in attending the Company's main corporate office and for 2016/17 are £242 for John Allan, £651 for Richard Akers, £98 for Tessa Bamford and £145 for Mark Rolfe.

Remuneration report – Annual report on remuneration continued

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 and no Remuneration Committee discretion has been exercised in relation to the bonus outcome. The Group performance targets and performance against them for FY18 were as follows:

Table 17 – Annual bonus (Audited)

			Potential bonus weighting	Actual performance	Bonus achieved
Bonus target	**Strategic objective**	**Targets**	**% of salary**	**Achievement**	**% of salary**
Profit before tax	Support profitability	Threshold: £750.0m Target: £780.0m Maximum: £830.0m	16.50% 41.25% 82.50%	£835.5m	82.5%
Quality and service[1,2]	To create a quality product that customers recommend in a safe way for our employees and stakeholders	Divisions to achieve SHE Audit of 94% and customer service recommend score of 90%. Target assessed by number of divisions meeting both targets.	22.5%	22/27 divisions	18.3%
Strategic objective – Land bank owned and controlled	Drive the ownership of optimum amount of land to support business activities	A minimum of 4.3 years of which 3.3 years is owned and 1.0 year is conditional Threshold Target Maximum	3.0% 7.5% 15.0%	4.8 years	15%
Strategic objective – Margin improvement	To deliver an improvement in Regional Trading Margin to support the profitability of the business	Threshold: 24.3% Target: 24.6% Maximum: 25.0%	3% 7.5% 15%	25.8%	15%
Personal objectives[3]	To focus individuals to achieving the Group's strategic objectives	See **Table 18**	3.0% 7.5% 15.0%	See **Table 18**	See **Table 18**

1 In the case of a material breach of SHE policy or procedures, the SHE Committee retains discretion to recommend the withholding of all or part of the bonus depending on the nature of the breach.

2 Quality and service metric is pro-rated based on the number of divisions achieving the required standard.

3 The Executive Directors' personal objectives are disclosed on page 103.

Executive Directors' personal objectives

The FY18 personal objectives for Executive Directors' were set to focus on the achievement of the Group's strategic objective relating to improving margin whilst maintaining the Group's focus on disciplined volume growth and high standards of quality and customer service. All of the Executive Directors have a common personal target, whilst also having one set specifically for their job role. The individual objectives and the performance against each is as follows:

Table 18 – Executive Directors' personal objectives – Audited

Executive Director	Personal objectives	Assessment	Potential bonus weighting % of salary	Bonus achieved % of salary
David Thomas, Steven Boyes and Jessica White	**Building Excellence:** (i) to deliver the Group's Building Excellence margin improvement programme with efficiency benefits; (ii) to demonstrate land acquisition margin improvement by region; (iii) to establish and quantify the margin improvement by category and monitor delivery; and (iv) to annually review functional plans which drive our efficiency, margin and delivery.	> The Building Excellence programme has progressed with a detailed review of all benefits associated with the programme being completed during the year. Land acquisitions have been closely monitored and we have seen an improvement in our acquisition margin due to the increase in our hurdle rates, as set out in our new medium term targets, facilitated by the roll-out of our new housetypes. The Building Excellence Steering Group continues to monitor cost benefit analysis on key projects and is in the process of introducing benefit realisation plans to ensure that benefits are delivered. The review of functional plans, although still ongoing, is nearing completion.	7.5%	7.5%
David Thomas	**Completion Volumes** To reduce the proportion of completions that occur in December and June.	> The importance of balancing the number of completions throughout the year has been reiterated to the business. Whilst divisions endeavoured to smooth out the delivery profile, the bad weather during March and April, delayed completions and impeded the achievement of this objective.	7.5%	0%
Steven Boyes	**Modern Methods of Construction** To evaluate the MMC trials, establish lessons learned, strengths and weaknesses and propose an MMC production plan for FY19.	> MMC trials have been evaluated and MMC technologies are now being delivered on appropriate sites. Targets for MMC use and a plan to deliver those targets in FY19 are in place.	7.5%	7.5%
Jessica White	**Risk Committee** In conjunction with the Chief Executive and the Audit Committee Chair, to redefine the aims and objectives of the Group Risk Committee and to take over as Chair and to establish a more robust process around the identification and assessment of risk and mitigations against them, throughout the business.	> The Terms of Reference of the Risk Committee and its membership has been revised with the CFO as Chair. A new process around the Group's risk register has been implemented to ensure that both top down and bottom up reviews are included.	7.5%	7.5%

Table 19 – Executive Directors' deferred bonus

	FY18 Deferred Bonus						FY17 Deferred Bonus		
	Annual bonus for 2017/18 £000	% of salary payable	% of salary in cash	% of salary deferred[1]	Amount deferred £000	Number of shares[2]	% of salary deferred[1]	Amount deferred £000	Number of shares[2,3]
David Thomas	**992**	**138.3**	**100**	**38.3**	**275**	**TBC[4]**	46.3	322	53,502
Steven Boyes	**828**	**145.8**	**100**	**45.8**	**260**	**TBC[4]**	46.3	255	42,342
Jessica White	**583**	**145.8**	**100**	**45.8**	**183**	**TBC[4]**	46.3	5	758

1 The Executive Directors earned between 138.3% and 145.8% of base salary for FY18 and 146.3% of base salary for FY17. The bonus earned in excess of 100% of base salary will be deferred into shares.

2 Shares are held in the DBP for a period of three years commencing from the date of the award and subject to a continued employment condition.

3 The number of shares were calculated at a share price of £6.025 being the average of the closing middle-market quotations, as derived from the daily official list of the Stock Exchange, for the first five dealing days following the date of the final results announcement of the Company for the financial year ended 30 June 2017.

4 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 FY18 annual results. The actual number of shares awarded in respect of the FY18 Deferred Bonus was not therefore available as at the date of this report.

Long Term Performance Plans

Vesting of 2015/16 LTPP (included in 2018/19 single figure of remuneration) (Audited)

The 2015/16 LTPP award granted on 19 October 2015 was based on performance to the year ended 30 June 2018 and will vest on 19 October 2018. The performance conditions for this award and the resulting vesting levels are as follows:

Table 20

Metric	Performance condition	Threshold	Maximum	Actual	Portion of award vesting for DT and SB	Portion of award vesting for JW[1]
EPS	Absolute EPS growth for the financial year ended 30 June 2018.	58p	66p	Basic EPS 67.0p[2]	33.3%	50%
ROCE	To increase Return on Capital Employed.	25%	28%	29.6%	33.3%	50%
TSR	TSR against the 50 companies above and below the Company in the FTSE index. 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 48.0 (TSR of 11.7%)	Upper quartile ranking of 24.5 (TSR of 52.1%)	Rank of 46.6 (TSR of 15.6%)	9.8%	N/A
Total level of award vesting					76.4%	100%

[1] In line with other participants below Board and Executive Committee level, on 19 October 2015 Jessica White was awarded an incentive award under the LTPP, the performance of which was based on two performance conditions EPS and ROCE. The performance period and the targets were the same as those set for the Board and Executive Committee level except there was no TSR vesting condition.

[2] The actual EPS of 66.5 pence has been re-based using the corporation tax rate applicable at the date on which the 2015/16 LTPP targets were set, as the subsequent reduction to the rate of corporation tax was not performance related. The actual EPS has also been re-based using the same number of shares in issue as used in the 2015/16 LTPP targets. The re-based EPS used for the purpose of determining vesting, which is directly comparable to the 2015/16 LTPP targets, was 67.0 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 2015/16 LTPP was justified. Accordingly, the gross number of shares to be released to each of the Executive Directors are as follows:

Table 21

Executive Director	Number of shares at grant	Number of shares to vest[1]	Number of shares to lapse	Total	Estimated value[2] (£000)
David Thomas	212,244	162,154	50,090	162,154	897
Steven Boyes	167,974	128,332	39,642	128,332	710
Jessica White	12,166	12,166	0	12,166	67

[1] The relevant number of shares will be released to each participant as soon as is practicable in October 2018, following the vesting date.

[2] The estimated value of the vested shares is based on the average share price during the three months to 30 June 2018 (£5.53 per share).

LTPP granted during the year (the '2017/18 LTPP') (Audited)

On 24 November 2017, the following 2017/18 LTPP awards were granted to Executive Directors:

Table 22

Executive Director	Type of award	Basis of award granted	Share price at date of grant[1] (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 £717,170	633.8	226,307	1,434	25	Three financial years to 30 June 2020
Steven Boyes	Conditional award	200% of salary £567,580	633.8	179,103	1,135	25	
Jessica White	Conditional award	200% of salary £400,000	633.8	126,222	800	25	

[1] Calculated as the average of the closing prices, as derived from the London Stock Exchange daily official list, for each of the dealing days in the period of three months ending with the 23 November 2017.

The 2017/18 LTPP for Executive Directors is subject to three performance conditions, 40% TSR (half of which is measured against a 50+ / 50- comparator group and the other half against a housebuilder index), 20% EPS and 40% ROCE. The levels of vesting against TSR are measured over a three-year period commencing 1 July 2017, and against EPS and ROCE for the financial year ending 30 June 2020. On completion of the performance period, assuming that shares vest, they will be subject to a further two-year holding period.

The following tables show the targets set on grant of the respective LTPP award together with performance to date.

Table 23 – 2016/17 Award performance against targets

The table below shows the potential level of vesting if performance was measured over a two-year period to the 30 June 2018:

Performance target	Below Threshold (0% vesting)	Threshold (25% vesting)	Maximum (100% vesting)	Performance as at 30 June 2018	Level of vesting had the award vested as at 30 June 2018
TSR[1]	Below median	Median	Upper quartile	0%	0%
EPS	<58 pence	58 pence	70 pence	67.0 pence	27.1%
ROCE	<25%	25%	28%	29.6%	33.3%
Total					60.4%

[1] The comparator group for TSR is each of the members ranking 50 above and 50 below the Company in the FTSE Index.

Table 24 – 2017/18 Award performance against targets

Outlined below is the potential level of vesting for the 2017/18 LTPP, had the performance period been for one year to 30 June 2018:

Performance target	Below Threshold (0% vesting)	Threshold (25% vesting)	Maximum (100% vesting)	Performance as at 30 June 2018	Level of vesting had the award vested as at 30 June 2018
TSR FTSE[1]	Below median	Median	Upper quartile	Below median	0%
TSR Housebuilder[2]	Below unweighted index average	Unweighted index average	Unweighted index average +8%	Below unweighted index average	0%
EPS	<66 pence	66 pence	74 pence	67.0 pence	6.9%
Underlying ROCE[3]	<19%	19%	22%	21.7%	37.0%
Total					43.9%

1 The comparator group for TSR FTSE is each of the members ranking 50 above and 50 below the Company in the FTSE Index.

2 The housebuilder Index comprises: Bellway, Berkeley Homes, Bovis Homes Group, Countryside Properties, Crest Nicholson, Galliford Try, Persimmon, Redrow and Taylor Wimpey.

3 Please see the Glossary on page 181 for the definition of Underlying ROCE.

Statement of Directors' shareholding and share interests (Audited)

For the financial year ended 30 June 2018 Executive Directors were required to hold shares in the Company equivalent in value to 200% of salary. The Chief Executive must hold a minimum of 67% (50% for other Executive Directors) as an Owned Shareholding. 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 towards its achievement throughout the period. Participants who have not built up the required level of shareholding by the end of the defined period, will not be eligible for inclusion in future share-based incentive schemes. In addition, they will not be allowed to sell any of the net of tax shares released from incentive schemes until they reach the levels specified, unless exceptional circumstances exist in the opinion of the Committee. The Committee retains discretion to adjust the length of time in which the required amount of shareholding needs to be accrued in order to adjust for events out of the individual's control.

At 30 June 2018, both David Thomas and Steven Boyes have met the shareholding requirement. Jessica White has until 21 June 2022 to meet the shareholding 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 25**. On 30 July 2018 the Company was notified that Steven Boyes exercised his option over 2,013 shares each under the SAYE scheme. John Allan and Richard Akers have both purchased an additional 10,000 shares and their holdings at 4 September 2018 were 66,705 and 60,000 shares respectively. No other notification has been received of any change in the interests shown during the period 30 June 2018 to 4 September 2018 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 2018, the details of which can be found on page 103.

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

Table 25 – Directors' interests in shares as at 30 June 2018 (Audited)

	Beneficially owned as at 30 June 2017	Beneficially owned as at 30 June 2018	Outstanding share awards under all employee share plans as at 30 June 2018[1]	Owned Shareholding as a % of salary as at 30 June 2018[2]	Owned Shareholding requirement met (Y/N)	Total Shareholding as a % of salary as at 30 June 2018[2]	Total Shareholding requirement met (Y/N)
David Thomas	1,459,096	1,218,493	883,545	875%	Y	930%	Y
Steven Boyes	1,005,868	667,843	705,088	606%	Y	664%	Y
Jessica White[3]	35,408	42,602	162,207	55%	Y	55%	N
John Allan	34,205	56,705	–	N/A	N/A	N/A	N/A
Richard Akers	50,000	50,000	–	N/A	N/A	N/A	N/A
Nina Bibby	8,500	8,500	–	N/A	N/A	N/A	N/A
Jock Lennox	10,000	10,000	–	N/A	N/A	N/A	N/A
Sharon White[4]	–	–	–	N/A	N/A	N/A	N/A
Tessa Bamford[5]	36,121	38,633	–	N/A	N/A	N/A	N/A

1 Details of the interest held in specific employee share plans can be found in the tables on pages 106 to 108.

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

3 Jessica White was appointed to the Board on 22 June 2017 and has five years from this date to meet the shareholding requirement of 200% of base salary.

4 Sharon White was appointed to the Board on 1 January 2018.

5 Tessa Bamford stepped down from the Board on 30 June 2018.

Table 26 – 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 2017 (number)	Vested shares at 1 July 2017 (number)	Granted (number)	Exercised (number)	Lapsed (number)	Outstanding shares as at 30 June 2018 (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[1]	Expiry date
David Thomas													
Conditional share options													
ESOS[2]	10.12.2009	–	8,350	–	(8,350)	–	–	–	117.84	588.03	39	10.12.2012	09.12.2019
ESOS[2]	10.12.2009	–	208,056	–	(208,056)	–	–	–	121.39	588.03	971	10.12.2012	09.12.2019
Sharesave (5 year)[9]	30.04.2014	4,297	–	–	–	–	4,297	–	349.00	–	–	01.07.2019	31.12.2019
Sharesave (5 year)[9]	27.04.2016	3,112	–	–	–	–	3,112	–	482.00	–	–	01.07.2021	31.12.2021
Conditional awards[10]													
DBP	09.10.2014	57,091	–	–	(57,091)	–	–	386.00	–	652.31	372	09.10.2017	–
LTPP[3]	20.10.2014	244,086	–	–	(244,086)	–	–	372.00	–	694.02	1,694	20.10.2017	–
DBP	19.10.2015	27,531	–	–	–	–	27,531	656.00	–	–	–	19.10.2018	–
LTPP[4]	19.10.2015	212,244	–	–	–	–	212,244	637.00	–	–	–	19.10.2018	–
DBP	17.10.2016	64,182	–	–	–	–	64,182	485.66	–	–	–	17.10.2019	–
LTPP[5]	14.12.2016	292,370	–	–	–	–	292,370	476.30	–	–	–	14.12.2019	–
DBP	17.10.2017	–		53,502	–	–	53,502	602.50	–	–	–	17.10.2020	–
LTPP[6]	24.11.2017	–		226,307	–	–	226,307	633.80	–	–	–	24.11.2020	–
Total		**904,913**	**216,406**	**279,809**	**(517,583)**	**–**	**883,545**	**–**	**–**	**–**	**3,076**	**–**	**–**

	Date of grant	Unvested shares at 1 July 2017 (number)	Vested shares at 1 July 2017 (number)	Granted (number)	Exercised (number)	Lapsed (number)	Outstanding shares as at 30 June 2018 (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[1]	Expiry date
Steven Boyes													
Conditional share options													
Sharesave (3 year)[9]	30.04.2014	–	2,578	–	(2,578)	–	–	–	349.00	604.00	7	01.07.2017	31.12.2017
Sharesave (3 year)[9]	29.04.2015	2,013	–	–	–	–	2,013	–	447.00	–	–	01.07.2018	31.12.2018
Sharesave (3 year)[9, 11]	27.04.2017	1,939	–	–	–	–	1,939	–	464.00	–	–	01.07.2020	31.12.2020
Sharesave (3 year)[9]	20.04.2018	–	–	2,004	–	–	2,004		449.00	–	–	01.07.2021	31.12.2021
Conditional awards[10]													
DBP	09.10.2014	57,091	–	–	(57,091)	–	–	386.00	–	652.31	372	09.10.2017	–
LTPP	20.10.2014	244,086	–	–	(244,086)	–	–	372.00	–	694.02	1,694	20.10.2017	–
DBP	19.10.2015	27,531	–	–	–	–	27,531	656.00	–	–	–	19.10.2018	–
LTPP[4]	19.10.2015	167,974	–	–	–	–	167,974	637.00	–	–	–	19.10.2018	–
DBP	17.10.2016	50,795	–	–	–	–	50,795	485.66	–	–	–	17.10.2019	–
LTPP[5]	14.12.2016	231,387	–	–	–	–	231,387	476.30	–	–	–	14.12.2019	–
DBP	17.10.2017	–	–	42,342	–	–	42,342	602.50	–	–	–	17.10.2020	–
LTPP[5]	24.11.2017	–	–	179,103			179,103	633.80	–	–	–	24.11.2020	–
Total		**782,816**	**2,578**	**223,449**	**(303,755)**	**–**	**705,088**	**–**	**–**	**–**	**2,073**	**–**	**–**

Remuneration report – Annual report on remuneration continued

	Date of grant	Unvested shares at 1 July 2017 (number)	Vested shares at 1 July 2017 (number)	Granted (number)	Exercised (number)	Lapsed (number)	Outstanding shares as at 30 June 2018 (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[1]	Expiry date
Jessica White													
Conditional share options													
Sharesave (3 year)[9]	30.04.2014	–	2,578	–	(2,578)	–	–	–	349.00	604.00	7	01.07.2017	31.12.2017
Sharesave (5 year)[9]	27.04.2017	6,465	–	–	–	–	6,465	–	464.00	–	–	01.07.2022	31.12.2022
Conditional awards[10]													
SMIS[6]	20.10.2014	8,726	–	–	(8,726)	–	–	372.00	–	694.02	61	20.10.2017	–
LTPP[7]	19.10.2015	12,166	–	–	–	–	12,166	637.00	–	–	–	19.10.2018	–
LTPP[8]	14.12.2016	16,596	–		–	–	16,596	476.30	–	–	–	14.12.2019	–
DBP	17.10.2017	–	–	758	–	–	758	602.50	–	–	–	17.10.2020	–
LTPP[5]	24.11.2017	–	–	126,222	–	–	126,222	633.80	–	–	–	24.11.2020	–
Total		**43,953**	**2,578**	**126,980**	**(11,304)**	**–**	**162,207**	**–**	**–**	**–**	**68**	**–**	**–**

1 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.

2 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. No share options remain to Executive Directors under the ESOS.

3 100% of this award vested on 20 October 2017. 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.

4 This award was tested after 30 June 2018 and 76.4% of the award will vest in October 2018 (see page 104 for further details). These awards will be released to the participants as soon as possible following the vesting date. The awards for David Thomas and Steven Boyes are subject to a two-year holding period commencing 1 July 2018.

5 Award based on an allocation of ordinary shares equivalent in value to a maximum of 200% of base salary. 40% of the award is subject to a TSR performance condition (20% against the members ranking 50 above and 50 below in the FTSE 250 Index and 20% against a housebuilder index), 20% is based on the achievement of an EPS target for the financial year ending 30 June 2018 and the remaining 40% is based on the achievement of a ROCE target for the financial year ending 30 June 2018. There is no re-testing of performance conditions. The awards for David Thomas and Steven Boyes are subject to a two-year holding period commencing 1 July 2018. See page 104 for an update on performance to date against the targets.

6 100% of this award vested on 20 October 2017. 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.

7 This award was subject to two performance conditions EPS (50%) and ROCE (50%) for the financial year ended 30 June 2018. The performance conditions were tested after 30 June 2018 and 100% of the award will vest in October 2018. These awards will be released to the participants as soon as possible following the vesting date.

8 Award based on an allocation of ordinary shares equivalent in value to 50% of base salary. 50% of the award is subject to the achievement of an EPS target for the financial year ending 30 June 2019 and the other 50% is based on the achievement of a ROCE target for the financial year ending 30 June 2019. There is no re-testing of performance conditions.

9 Sharesave options are awarded based on the share price at invitation of the scheme and the total savings amount forecast at the end of the scheme. Market value per share on the date of grant for all sharesave awards was 30 April 2014 – £3.70, 29 April 2015 – £5.12, 27 April 2016 – £5.46, 27 April 2017 – £5.88, 20 April 2018 – £5.60, the option price represented approximately 15% discount on the share price at the time of invitation.

10 Face value of conditional awards for FY18 are disclosed on page 104. Face value of conditional awards for previous years were disclosed in the Remuneration Report when the awards were made.

11 The 2015 3 year Sharesave matured on 1 July 2018. Steven Boyes exercised his options on 30 July 2018 and purchased and retained all the shares under option at an exercise price of £4.47 per share.

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, including to nil, 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 EBT. During the financial year ended 30 June 2018, the Company continued to satisfy all outstanding Executive options and awards under the LTPP, 2009/10 ESOS, the DBP and the Sharesave through a new issue of shares, subject to the dilution limits described below.

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 2018 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 2018, the resulting issue of new shares would represent 1.5% 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 have opted to receive a cash supplement in lieu of pension. For FY18, David Thomas and Steven Boyes received an amount equal to 25% of base salary in line with market practice. Jessica White received an amount equal to 15% base salary in line with the Policy for new Executive Directors. 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 2018.

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. This benefit became deferred on 30 June 2009 and it will be revalued over the period from that date to retirement in line with the Scheme Rules. Steven Boyes' accrued pension as at 30 June 2018 was £59,963 per annum. Steven Boyes may take early retirement from age 55, subject to him meeting certain legislative restrictions, but the accrued pension will be reduced to take account of its early repayment.

Since 1 July 2009, Steven Boyes has been entitled to receive a cash supplement which is currently equal to 25% of his base salary per annum.

The previous 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. In March 2017, the Board were advised that the triennial valuation undertaken as at 30 November 2016 had indicated a £69.2m deficit. In order to address the deficit, the Board agreed to increase its annual contribution from £9.5m to £14.5m for a period of three years from 1 April 2017. Thereafter contributions of £10.0m per annum will be made until the Scheme is fully funded. The valuation for the Financial Statements was updated as at 30 June 2018 by a qualified independent actuary and a surplus of £58.7m (2017: surplus of £13.6m) 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 on death in service in accordance with their terms of employment. 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 (Audited)

No payments were made to any former Directors during the year ended 30 June 2018 (30 June 2017: £nil other than the arrangements for Neil Cooper fully disclosed on page 103 of the 2017 Annual Report and Accounts) except otherwise disclosed in this Remuneration report.

Payments for loss of office (Audited)

No payments were made in respect of loss of office during the year ended 30 June 2018 (30 June 2017: £nil) except as otherwise disclosed in this Remuneration report.

Remuneration report – Annual report on remuneration continued

Chief Executive's relative pay

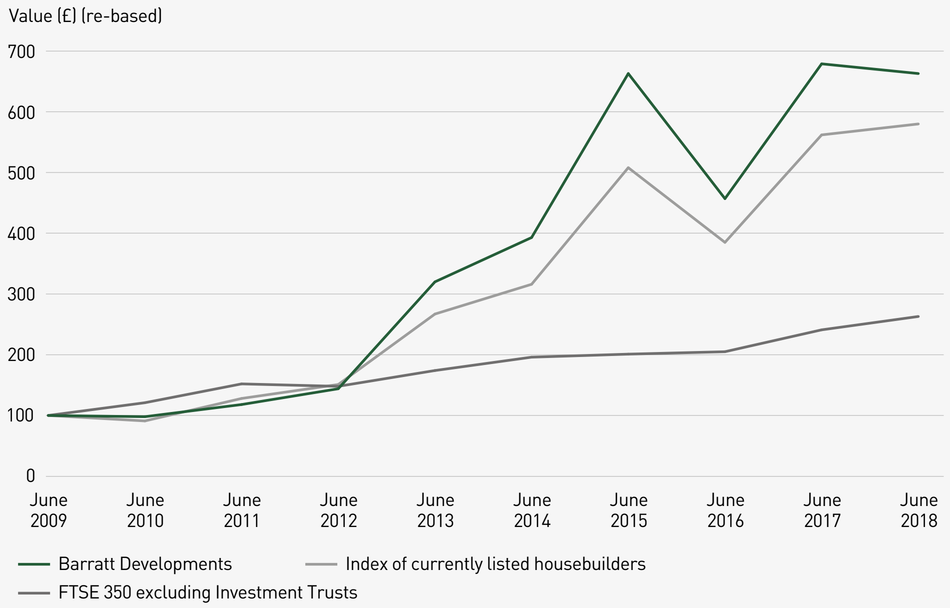
Table 27 sets out: (i) the total pay, calculated in line with the single figure methodology; (ii) the annual bonus pay out as a percentage of maximum; and (iii) LTI vesting level for the Chief Executive over a nine-year period (David Thomas for FY16 to FY18 and Mark Clare for FY10 to FY15):

Table 27 – Chief Executive's pay (Audited)

	Nine years to 30 June 2018								
	2010	2011	2012	2013	2014	2015	2016	2017	**2018**
Chief Executive's total pay (£000)	1,417	1,220	2,099	4,310	6,430	7,363	3,155	3,331	**2,810**
Bonus outturn (as percentage of maximum opportunity)	90.2	36.6	99.2	100.0	100.0	93.2	97.4	97.5	**92.2**
LTI vesting (as a percentage of maximum award)	0.0	0.0	32.8	73.9	95.8	100.0	100.0	100.0	**76.4**

Total Shareholder Return performance graph

Chart 1 – Total Shareholder Return



This graph shows the value, by 30 June 2018, of £100 invested in Barratt Developments PLC on 30 June 2009 compared with the value of £100 invested in the FTSE 350 Index and £100 invested in an unweighted index of listed Housebuilders (excluding Barratt Developments PLC). The other points plotted are the values at intervening financial year ends.

Source: Datastream (Thomson Reuters)

Chart 1, prepared in accordance with the regulations, shows the TSR performance over the last nine 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 regulations.

Percentage change in remuneration of Chief Executive compared to employees

Table 28 shows the percentage change in salary, benefits and annual bonus earned by the Director undertaking the role of Chief Executive on 30 June 2017 and 30 June 2018, compared to that of the average pay of all employees of the Group.

Table 28 – Percentage change in remuneration

	Salary	Benefits	Annual bonus
	% change	% change	% change
Chief Executive	3.0	52.9	-2.6
Average pay of all employees	3.3	4.5	5.8

Relative importance of spend on pay

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

Table 29 – Relative importance of spend on pay

	2018 £m	2017 £m	% change
Staff costs (including Executive Directors)[1]	390.5	371.7	5.1
Profit from operations[2]	862.6	799.2	7.9
Total capital return[3]	443.1	421.3	5.2

[1] See note 2.3 of the Financial Statements.

[2] 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.

[3] Includes interim dividend of 8.6 pence per share paid on 18 May 2018 to those shareholders on the register as at the close of business on 20 April 2018 and a final dividend of 17.9 pence per share and a special dividend of 17.3 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 2018. The final dividend and special dividend, if approved by shareholders at the 2018 AGM, will be paid on 6 November 2018 to those shareholders on the register at the close of business on 12 October 2018.

Non-Executive directorships

Neither Steven Boyes nor Jessica White held any Non-Executive directorships with other companies during the year.

David Thomas joined the board of the Home Builders Federation as a Non-Executive Director on 26 April 2018 for which he does not receive a fee.

Statement of shareholding vote at AGM

At the 2017 AGM, a resolution was proposed to shareholders to approve the Directors' Remuneration Policy (binding vote) to remain in place for three years following its approval by shareholders for which the following votes were received:

Table 30

	Remuneration report	
	Number of votes	**% votes cast**
Votes cast in favour	687,989,418	98.78
Votes cast against	8,526,959	1.22
Total votes cast	696,516,377	100.00
Votes withheld	2,232,003	–

In addition, a resolution was proposed to shareholders to approve the Annual report on remuneration (advisory vote) for the year ended 30 June 2017 for which the following votes were received:

Table 31

	Remuneration Policy	
	Number of votes	**% votes cast**
Votes cast in favour	692,982,315	99.30
Votes cast against	4,884,670	0.70
Total votes cast	697,866,985	100.00
Votes withheld	1,748,740	–

This Remuneration report was approved by the Board on 4 September 2018 and signed on its behalf by:

Richard Akers
Non-Executive Director

4 September 2018

Other statutory disclosures

Directors' Report

The Directors' Report for the financial year ended 30 June 2018 comprises pages 57 to 118 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.

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. Taking into account current market and shareholder expectations, our dividend policy is to pay a full year dividend covered 2.5 times by earnings as well as special dividends when the financial position of the Company justifies the payment, subject to shareholder approval. The Board may pay interim dividends, and also any fixed rate dividends, whenever the financial position of the Company justify 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.

Results and dividends

The profit from continuing activities for the year ended 30 June 2018 was £671.5m (2017: £616.0m).

An interim dividend of 8.6 pence per share was paid on 18 May 2018 to those shareholders on the register as at close of business on 20 April 2018 (2017: 7.3 pence per share). The Directors recommend the payment of a final dividend of 17.9 pence per share (2017: 17.1 pence per share) in respect of the financial year ended 30 June 2018.

The Directors also recommend the payment of a special dividend of 17.3 pence per share (2017: 17.3 pence per share) under the Capital Return Plan (see page 47 for further details).

Both the final dividend and the special dividend will, subject to shareholder approval at the 2018 AGM, be paid on 6 November 2018 to those shareholders on the register at the close of business on 12 October 2018. If approved, the total dividend (including the special dividend) for FY18 is 43.8 pence per share (2017: 41.7 pence per share).

Strategic Report

The Group's Strategic Report is set out on pages 1 to 56 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 43); our approach to diversity and details of diversity within the Group (page 39); our employee engagement (page 37); an indication of likely future developments in the Group including in the field of research and development (page 34) and the Group's risk management (pages 48 to 56).

The Company has also published its statement in line with the UK Modern Slavery Act 2015, detailing the steps the Group is taking to mitigate the risk of modern slavery occurring in its supply chain and business operations. Bespoke training was delivered to key teams and supply chain partners in order to build awareness and strengthen due diligence processes, including participation in the Supply Chain Sustainability School's special interest group on Modern Slavery Act (2015). This statement can be found at www.barrattdevelopments.co.uk/sustainability/our-policies.

The Company has also published its first Gender Pay Gap Report in line with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. The full report can be found at www.barrattdevelopments.co.uk/sustainability/our-publications and a summary is provided in the Strategic report on pages 39.

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 48 to 56 in addition to being found in the sustainability section of the Company's website.

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 2018 AGM will be held at The Royal College of Physicians, 11 St Andrews Place, Regent's Park, London NW1 4LE on Wednesday, 17 October 2018 at 11 a.m. The notice convening the 2018 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 2018 and as at the date of this report can be found on pages 58 and 59.

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 2018, and as at the date of this report are disclosed in the Remuneration report on pages 105 to 108.

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.

Appointment and removal 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 76 and 77.

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 which are or were in place during the financial year, 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 Group did not enter into any transactions which, for the purposes of IAS 24, is considered to be a 'related party transaction'.

No 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

Our policy is that the Group will not make donations to any political party and no political donations or expenditure were made or incurred during the year.

Offices

The Group had 27 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.barrattdevelopments.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 162. 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 15 November 2017, the Directors were given authority to allot shares up to a nominal value of £33,669,173 (representing one-third of the nominal value of the Company's issued share capital as at 30 September 2017), such authority to remain valid until the end of the 2019 AGM or, if earlier, until the close of business on 15 February 2019. A resolution to renew this authority will be proposed at the 2018 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 2018 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 15 November 2017, shareholders gave authority to the Company to buy back up to an aggregate of 101,007,520 ordinary shares (representing 10% of the Company's issued share capital). This authority is valid until the end of the 2018 AGM or, if earlier, until the close of business on 15 February 2019. 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 2018 AGM.

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 on page 162.

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. This waiver does not apply to any shares held under an award to which dividend equivalents apply.

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.

Relations with other capital providers

The Board recognises the contribution made by other providers of capital to the Group and welcomes the views of such providers in relation to the Group's approach to corporate governance.

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 100 and 104 to 105.

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 to 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. The Group is also committed to ensuring that its workplaces are free from discrimination and that everyone is treated with dignity and respect. 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 employees irrespective of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, nationality, religion or belief, sex, and sexual orientation.

Every effort is made to retain and support employees who become disabled whilst working within the Group. Further details on the Group's diversity initiatives are available in the sustainability section of our website which is available from www.barrattdevelopments.co.uk/sustainability/our-publications.

(ii) Employee engagement

The Board recognises that appropriate employee engagement is a key factor in the long term success of the Group, which depends on each employee being involved and engaged to deliver our strategic goals. The Company 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 79% (2017: 78%).

The Company has also elected employees from across the Group and seniority levels to join an employee forum, which will discuss aspects of the business of importance to employees. The employee forum will have its first meeting in FY19.

(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 all other material information on matters of concern to employees and their impact 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. We hold various senior leadership events throughout the year where the senior leadership team discuss business performance of the Group and areas of focus. An annual conference is also held with management from all divisions invited, enabling the Group to focus on key priorities and share best practice. 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

We continue to develop our ASPIRE graduate scheme, and run a commercial sponsored degree in partnership with Sheffield Hallam University and our Apprentice programme. We continue to offer a diverse range of options for graduates, apprentices and trainees through our Barratt Future Talent programmes. In response to the Government's Apprenticeship Levy scheme, we have worked with the HBF, Federation of Master Builders, and housebuilding peers on the trailblazer programmes to develop new apprenticeship standards for apprenticeship levels 3–6. We have worked with our Apprentice champions to ensure our programmes deliver quality Apprenticeships. Our 12-month leaver completion rate continues to rise reaching 82% for the year compared to 79% in previous 12 months and 59% in 2016. This improvement in completion rates takes us 2% above our target of 80% for the number of Apprentices on the programme achieving a level 2 qualification within our Trade, Technical and Commercial programmes. Our completion rate is currently 7% above the Construction average according the the CITB Benchmark report produced for the Company in July 2018.

We continue to expand on our Armed Forces personnel site management training programme. This Armed Forces Transition programme recently won Best Talent Development programme at the 2017 Training Journal Awards. Including the upcoming intake of trainees we will have recruited around 100 construction trainees via this route, some of whom had little or no construction experience and they are proving to be outstanding leaders. We have invested in our employees, including recruiting 204 new apprentices, trainees, graduates and undergraduates in FY18. We also continue to collaborate with the wider housebuilding industry. We actively participate in the Home Building Skills Partnership the aims of which include attracting new entrants to the industry, providing the skills for today and the future, and supporting the supply chain in attracting and developing the skills they need to support our industry.

We are also now working with a social enterprise organisation and a subcontractor in order to provide employment opportunities for ex-offenders who are within 12 months of release. Through the social enterprise organisation, training is offered on site in prisons in such areas as dry lining, decorating and scaffolding. Following release from prison we recognise it is sometimes difficult to find employment which is why we are helping to find and source opportunities in the building industry. To date we have found full-time employment for six individuals following their release. We are also working directly with a prison to deliver CV workshops to those nearing the end of their sentence.

(v) Employee training and development

We continue to expand on our Academy and Leadership programmes this year introducing a new Rising Stars programme for those who we see as being our leaders and managers of the future. We have also introduced a new Learning management system enabling us to provide learning and development for everyone when required. Our Construction and Sales Academy programmes continue to expand with the introduction of refresher and advanced selling skills for our Sales teams as well as the introduction of an internally delivered NHBC accredited warranty programme.

(vi) Employee Sharesave Scheme

In April 2018, the Company invited all eligible employees of the Group to participate in the tenth grant under the Savings Related Share Option Scheme (the '2018 Sharesave') which was approved by shareholders at the Company's AGM held in November 2008. The invitations for the 2018 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 2018, approximately 52% of employees participate in one or more of the active Sharesave schemes.

(vii) Culture and values

The Company takes its collective culture and values very seriously. The Board considers feedback from the employee engagement survey in its overview of the management of the business.

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 HMRC and has regular dialogue with its representatives to discuss both developments in the business and the ongoing tax position. In accordance with UK legislation, we have published details of our tax strategy and this can be found at www.barrattdevelopments.co.uk.

The Chief Financial Officer retains overall responsibility for oversight of the tax affairs of the Group. Jessica White, Chief Financial Officer was Senior Accounting Officer throughout the year ended 30 June 2018. The Senior Accounting Officer receives regular updates on tax matters. In addition, taxation is discussed by the Audit Committee at least annually.

Significant agreements

The following significant agreements as at 30 June 2018 contained 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, 30 June 2016 and 29 December 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.

- The note purchase agreement dated 22 August 2017 in respect of the Group's £200m privately placed notes contains a change of control prepayment provision. Such control provision provides that promptly after the Company becomes aware that a change of control has occurred, (and in any event not later than 10 business days thereafter) 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 (principle 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 less than 30 nor more than 60 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 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 130, Note 1.3). 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

4 September 2018

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 IAS Regulation to prepare the Group Financial Statements under IFRS as adopted by the European Union 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 company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period.

International Accounting Standard 1 requires that Financial Statements present fairly for each financial year the relevant entity'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 and the Group's (as the case may be) 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 and the Group's transactions on an individual and consolidated basis and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group 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 and the Group'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 58 and 59.

By order of the Board

David Thomas
Chief Executive
4 September 2018

Jessica White
Chief Financial Officer
4 September 2018

The Directors' Report from pages 57 to 118 inclusive was approved by the Board on 4 September 2018 and is signed on its behalf by:

Tina Bains
Company Secretary

Financial Statements

Key to financial icons

Throughout the Financial Statements you will see these icons used, they represent the following:

🔖 **Group accounting policies**

⚖ **Critical accounting judgements and key sources of estimation uncertainty**

Independent Auditor's Report to the members of Barratt Developments PLC

Report on the audit of the Financial Statements

Opinion

In our opinion:

- the Financial Statements of Barratt Developments PLC (the 'Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2018 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 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.

We have audited the Financial Statements which comprise:

- the Consolidated Income Statement;
- the Consolidated and Company Statement of Comprehensive Income;
- the Consolidated and Company Statements of Changes in Equity;
- the Consolidated and Company Balance Sheets;
- the Consolidated and Company Cash Flow Statements; 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 Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was inventory valuation and margin recognition.
Materiality	The materiality that we used for the Group financial statements was £41.7m which was determined on the basis of 5% of statutory profit before tax.
Scoping	Consistent with our approach in the prior year, our Group audit scope focused on the audit work of the two components, being housebuilding and commercial developments. All audit work was completed by the Group audit team.
Significant changes in our approach	We have considered inventory valuation and margin recognition to be a key audit matter owing to the significance of judgements as set out in note 2.3, which determine the profit that the Group is able to recognise on its developments in a specific period. We no longer consider the carrying value of land and work in progress or impairment of goodwill and intangible assets to be key audit matters on the basis of the headroom available above carrying values at 30 June 2018.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the Directors' statement in note 1.3 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 and Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 51-55 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 48 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; or
- the Directors' explanation on page 56 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 are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Inventory valuation and margin recognition	
Key audit matter description	The carrying value for inventory as at 30 June 2018 is £4,516.7m (2017: £4,475.4m). Inventory comprises primarily of land and work in progress; work in progress is made up of the construction cost of developing a site and is transferred to cost of sales as each legal completion takes place. The Group's cost allocation policy determines the total profit forecast for each site. This allows the land and build costs of a development to be allocated to each individual unit, ensuring the forecast margin per unit is equalised across the development. This cost allocation framework drives the recognition of costs as each unit is sold which is the key judgement in the income statement and is where fraud could occur. Accordingly, we consider the recognition of cost per unit and therefore the appropriate margin to be a key audit matter. For each development there is judgement in: > estimating the inputs included within a site budget, including future revenues and cost to complete, in order to determine the level of profit that each unit of the development will deliver; > appropriately allocating costs such as shared infrastructure relating to a development so that the gross profit margin (in percentage terms) achieved on each individual unit is equal; > recognising site contingencies and their impact on margin; and > recording the variation when a deviation from the initial budget occurs and ensuring such variations are appropriately recognised. These judgements impact the profit recognised on each unit sold and reported operating margin is a key metric for the Group. Refer to page 82 (Audit Committee Report) and note 2.3 (Financial Statement disclosures including the related Critical Accounting Judgements and Key Sources of Estimation Uncertainty).
How the scope of our audit responded to the key audit matter	Our work included the following: > tested the design, implementation and operating effectiveness of controls governing work in progress, namely those relating to the authorisation of site budgets, Management's review of actual performance versus budget and the approval of journals transferring costs across sites or phases of a development; we also tested the design, implementation and operating effectiveness of controls relating to the expenditure cycle which included the tendering, authorisation and payment of subcontractors and suppliers; > audited a sample of the Group's inventory balances by corroborating a sample of additions to source documentation; > attended a number of valuation meetings in certain divisions across the business to observe and validate the effectiveness of this critical control and verify that the margin in the financial statements is equivalent to the site valuation, utilising our internal specialists where appropriate; > made enquiries of Management to support their assumptions and seek external corroboration where available, including from our internal real estate specialists, regarding forecast sales prices and costs to complete; > assessed the appropriateness and completeness of land equalisation adjustments, including assessing changes to assumptions from prior periods. Such changes may include contingencies and overage; > analysed completions in the period for a sample of sites and compared the achieved margin to the equalised margin determined within the original budget and the prior year. We evaluated and assessed significant variances with Management and obtained relevant supporting evidence; > tested and agreed on a sample basis 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; > analysed journal postings and additions made to the inventory balance to highlight any items which potentially should have been recorded as an expense. We also tested the valuation of these additions by agreeing to supporting invoices; > assessed a sample of cost busts and savings identified and understood the nature of them; and > analysed average cost per square foot to identify any anomalies to investigate.
Key observations	Based on the procedures performed, we concluded that the Group's cost allocation framework appears reasonable for the intended purpose of recognising appropriate margins on unit completion. The accounting for cost allocation, both at site start and on an ongoing basis is in line with this framework.

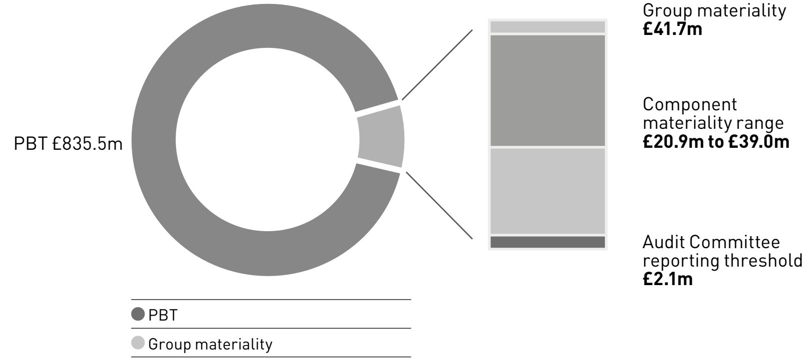
Independent Auditor's Report to the members of Barratt Developments PLC continued

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.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Group financial statements	**Company financial statements**
Materiality	£41.7m (2017: £38.3m)	£35.1m
Basis for determining materiality	5% of statutory profit before tax in both the current and prior year.	Our basis for materiality was determined in relation to the Group's materiality; this was determined as being based upon 3% of the Company's net assets capped at 90% of Group materiality.
Rationale for the benchmark applied	Statutory 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.	Net assets was used as the benchmark because it provides a stable basis and there are volatile earnings between periods.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2.1m (2017: £1.9m), 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 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 eight of the Group's divisions which included the Group's London housebuilding divisions as well as a sample of non-London housebuilding divisions across the Group's regions, selected on a rotational and risk basis and with reference to their size and complexity. We also visit Wilson Bowden Developments Limited on an annual basis, which constitutes the majority of the Group's commercial developments segment; this was audited to its local statutory audit materiality determined on a profit before tax basis.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our Auditor's Report thereon.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

> **Fair, balanced and understandable** – the statement given by the Directors that they consider the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

> **Audit committee reporting** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or

> **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

> enquiring of Management, Internal Audit, the Group's in-house legal counsel and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  – identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  – detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  – the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;

> evaluating within the engagement team regarding how and where material fraud might occur in the Financial Statements and any potential indicators of fraud. As part of this evaluation, we identified potential for fraud in the following areas: inventory valuation and margin recognition; and

> obtaining an understanding of the legal and regulatory framework that the Group operates in, focusing on those laws and regulations that had a direct effect on the Financial Statements (which included: International Financial Reporting Standards; the UK Companies Act 2016; Listing Rules; pensions legislation; and tax legislation), or that had a fundamental effect on the operations of the Group.

Audit response to risks identified

As a result of performing the above, we identified inventory valuation and margin recognition as a key audit matter. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

> reviewing the Financial Statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;

> enquiring of Management, the Audit Committee and both in-house and external legal counsel concerning actual and potential litigation and claims;

> reading minutes of meetings of those charged with governance and reviewing Internal Audit reports; and

> in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditor's Report to the members of Barratt Developments PLC continued

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

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 Company, or returns adequate for our audit have not been received from branches not visited by us; or > the 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 in respect of these matters.**

Other matters

Auditor tenure

Following the recommendation of the Audit Committee and the Board, we were appointed at the AGM in 2007 to audit the Financial Statements for the year ended 30 June 2008 and subsequent financial periods. Following a competitive tender process we were reappointed as auditor for the period ended 30 June 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is eleven years, covering the years ended 30 June 2008 to 30 June 2018.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Claire Faulkner (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

4 September 2018

Consolidated Income Statement Year ended 30 June 2018

Continuing operations	Notes	2018 £m	2017 £m
Revenue	2.1, 2.2	**4,874.8**	4,650.2
Cost of sales		**(3,865.9)**	(3,718.2)
Gross profit		**1,008.9**	932.0
Analysed as:			
Adjusted gross profit		**1,015.9**	940.8
Cost associated with legacy properties	2.2	**(7.0)**	(8.8)
Administrative expenses		**(146.3)**	(132.8)
Profit from operations	2.3	**862.6**	799.2
Analysed as:			
Adjusted operating profit		**869.6**	808.0
Cost associated with legacy properties	2.2	**(7.0)**	(8.8)
Finance income	5.2	**3.5**	2.9
Finance costs	5.2	**(48.6)**	(62.6)
Net finance costs	5.2	**(45.1)**	(59.7)
Share of post-tax profit from joint ventures	4.3	**18.6**	25.4
Share of post-tax (loss)/profit from associates	4.3	**(0.6)**	0.2
Profit before tax		**835.5**	765.1
Analysed as:			
Adjusted profit before tax		**842.5**	773.9
Cost associated with legacy properties	2.2	**(7.0)**	(8.8)
Tax	2.6.1	**(164.0)**	(149.1)
Profit for the year		**671.5**	616.0
Profit for the year attributable to the owners of the Company		**671.7**	615.8
(Loss)/profit for the year attributable to non-controlling interests	4.1.2	**(0.2)**	0.2
Earnings per share from continuing operations			
Basic	2.4	**66.5p**	61.3p
Diluted	2.4	**65.9p**	60.7p

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 £536.5m (2017: £33.8m loss).

Statement of Comprehensive Income Year ended 30 June 2018

		Group		Company	
	Notes	2018 £m	2017 £m	2018 £m	2017 £m
Profit/(loss) for the year		**671.5**	616.0	**536.5**	(33.8)
Other comprehensive income/(expense):					
Items that will not be reclassified to profit or loss					
Actuarial gain/(loss) on defined benefit pension scheme	6.2.2	**29.2**	(4.4)	**29.2**	(4.4)
Tax (charge)/credit relating to items not reclassified		**(5.5)**	0.9	**(5.5)**	0.9
Total items that will not be reclassified to profit or loss		**23.7**	(3.5)	**23.7**	(3.5)
Items that may be reclassified subsequently to profit or loss					
Amounts deferred in respect of effective cash flow hedges	5.2 5.4.3	**0.8**	1.9	**0.8**	1.9
Amounts reclassified to the Income Statement in respect of hedged cash flows	5.2 5.4.3	**(0.8)**	10.2	**(0.8)**	10.2
Tax charge relating to items that may be reclassified		**–**	(2.4)	**–**	(2.4)
Total items that may be reclassified subsequently to profit or loss		**–**	9.7	**–**	9.7
Total comprehensive income/(expense) recognised for the year		**695.2**	622.2	**560.2**	(27.6)
Total comprehensive income/(expense) recognised for the year attributable to the owners of the Company		**695.4**	622.0	**560.2**	(27.6)
Total comprehensive (expense)/income recognised for the year attributable to non-controlling interests	4.1.2	**(0.2)**	0.2	**–**	–

The notes on pages 130 to 180 form an integral part of these Financial Statements.

Statement of Changes in Shareholders' Equity – Group

	Share capital (note 5.6.1) £m	Share premium £m	Merger reserve (note 4.1.1) £m	Hedging reserve (note 5.4.3) £m	Own shares (note 5.6.2) £m	Share-based payments (note 6.3) £m	Group retained earnings due to shareholders of the Company £m	Total Group retained earnings due to shareholders of the Company £m	Non-controlling interests (note 4.1.2) £m	Total equity £m
At 1 July 2016	100.4	222.7	1,109.0	(9.7)	(3.5)	27.5	2,554.9	2,578.9	8.9	4,010.2
Profit for the year	–	–	–	–	–	–	615.8	615.8	0.2	616.0
Amounts deferred in respect of effective cash flow hedges	–	–	–	1.9	–	–	–	–	–	1.9
Amounts reclassified to the Income Statement in respect of hedged cash flows	–	–	–	10.2	–	–	–	–	–	10.2
Actuarial losses on pension scheme	–	–	–	–	–	–	(4.4)	(4.4)	–	(4.4)
Tax on items above taken directly to equity	–	–	–	(2.4)	–	–	0.9	0.9	–	(1.5)
Total comprehensive income recognised for the year ended 30 June 2017	–	–	–	9.7	–	–	612.3	612.3	0.2	622.2
Dividend payments	–	–	–	–	–	–	(321.7)	(321.7)	–	(321.7)
Issue of shares	0.4	2.0	–	–	–	–	–	–	–	2.4
Share-based payments	–	–	–	–	–	9.1	–	9.1	–	9.1
Purchase of own shares	–	–	–	–	(3.6)	–	–	(3.6)	–	(3.6)
Transfers in respect of exercised/lapsed options	–	–	–	–	5.8	(14.4)	8.7	0.1	–	0.1
Tax on share-based payments	–	–	–	–	–	0.7	2.8	3.5	–	3.5
At 30 June 2017	100.8	224.7	1,109.0	–	(1.3)	22.9	2,857.0	2,878.6	9.1	4,322.2
Profit/(loss) for the year	–	–	–	–	–	–	**671.7**	**671.7**	**(0.2)**	**671.5**
Amounts deferred in respect of effective cash flow hedges	–	–	–	**0.8**	–	–	–	–	–	**0.8**
Amounts reclassified to the Income Statement in respect of hedged cash flows	–	–	–	**(0.8)**	–	–	–	–	–	**(0.8)**
Actuarial gains on pension scheme	–	–	–	–	–	–	**29.2**	**29.2**	–	**29.2**
Tax on items above taken directly to equity	–	–	–	–	–	–	**(5.5)**	**(5.5)**	–	**(5.5)**
Total comprehensive income/(expense) recognised for the year ended 30 June 2018	–	–	–	–	–	–	**695.4**	**695.4**	**(0.2)**	**695.2**
Dividend payments	–	–	–	–	–	–	**(434.9)**	**(434.9)**	**(1.4)**	**(436.3)**
Issue of shares	**0.5**	**7.9**	–	–	–	–	–	–	–	**8.4**
Share-based payments	–	–	–	–	–	**11.0**	–	**11.0**	–	**11.0**
Purchase of own shares	–	–	–	–	**(3.3)**	–	–	**(3.3)**	–	**(3.3)**
Transfer in respect of dividends accruing to share options	–	–	–	–	–	**(1.3)**	**1.3**	–	–	–
Transfers in respect of exercised/lapsed options	–	–	–	–	**3.4**	**(12.3)**	**9.0**	**0.1**	–	**0.1**
Tax on share-based payments	–	–	–	–	–	**(2.3)**	**2.7**	**0.4**	–	**0.4**
At 30 June 2018	**101.3**	**232.6**	**1,109.0**	–	**(1.2)**	**18.0**	**3,130.5**	**3,147.3**	**7.5**	**4,597.7**

The notes on pages 130 to 180 form an integral part of these Financial Statements.

Statement of Changes in Shareholders' Equity – Company

	Share capital (note 5.6.1) £m	Share premium £m	Merger reserve (note 4.1.1) £m	Hedging reserve (note 5.4.3) £m	Own shares (note 5.6.2) £m	Share-based payments (note 6.3) £m	Retained earnings £m	Total retained earnings £m	Total equity £m
At 1 July 2016	100.4	222.7	1,109.0	(9.7)	(3.5)	26.0	2,168.4	2,190.9	3,613.3
Loss for the year	–	–	–	–	–	–	(33.8)	(33.8)	(33.8)
Amounts deferred in respect of effective cash flow hedges	–	–	–	1.9	–	–	–	–	1.9
Amounts reclassified to the Income Statement in respect of hedged cash flows	–	–	–	10.2	–	–	–	–	10.2
Actuarial losses on pension scheme	–	–	–	–	–	–	(4.4)	(4.4)	(4.4)
Tax on items above taken directly to equity	–	–	–	(2.4)	–	–	0.9	0.9	(1.5)
Total comprehensive income recognised for the year ended 30 June 2017	–	–	–	9.7	–	–	(37.3)	(37.3)	(27.6)
Dividend payments	–	–	–	–	–	–	(321.7)	(321.7)	(321.7)
Issue of shares	0.4	2.0	–	–	–	–	–	–	2.4
Share-based payments	–	–	–	–	–	9.1	–	9.1	9.1
Purchase of own shares	–	–	–	–	(3.6)	–	–	(3.6)	(3.6)
Transfers in respect of exercised/lapsed options	–	–	–	–	5.8	(14.4)	(0.4)	(9.0)	(9.0)
Tax on share-based payments	–	–	–	–	–	0.2	0.3	0.5	0.5
At 30 June 2017	100.8	224.7	1,109.0	–	(1.3)	20.9	1,809.3	1,828.9	3,263.4
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**536.5**	**536.5**	**536.5**
Amounts deferred in respect of effective cash flow hedges	**–**	**–**	**–**	**0.8**	**–**	**–**	**–**	**–**	**0.8**
Amounts reclassified to the Income Statement in respect of hedged cash flows	**–**	**–**	**–**	**(0.8)**	**–**	**–**	**–**	**–**	**(0.8)**
Actuarial gains on pension scheme	**–**	**–**	**–**	**–**	**–**	**–**	**29.2**	**29.2**	**29.2**
Tax on items above taken directly to equity	**–**	**–**	**–**	**–**	**–**	**–**	**(5.5)**	**(5.5)**	**(5.5)**
Total comprehensive income recognised for the year ended 30 June 2018	**–**	**–**	**–**	**–**	**–**	**–**	**560.2**	**560.2**	**560.2**
Dividend payments	**–**	**–**	**–**	**–**	**–**	**–**	**(434.9)**	**(434.9)**	**(434.9)**
Issue of shares	**0.5**	**7.9**	**–**	**–**	**–**	**–**	**–**	**–**	**8.4**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**11.0**	**–**	**11.0**	**11.0**
Purchase of own shares	**–**	**–**	**–**	**–**	**(3.3)**	**–**	**–**	**(3.3)**	**(3.3)**
Transfer in respect of dividends accruing to share options	**–**	**–**	**–**	**–**	**–**	**(1.3)**	**1.3**	**–**	**–**
Transfers in respect of exercised/lapsed options	**–**	**–**	**–**	**–**	**3.4**	**(12.3)**	**(0.4)**	**(9.3)**	**(9.3)**
Tax on share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**2.5**	**2.5**	**2.5**
At 30 June 2018	**101.3**	**232.6**	**1,109.0**	**–**	**(1.2)**	**18.3**	**1,938.0**	**1,955.1**	**3,398.0**

The notes on pages 130 to 180 form an integral part of these Financial Statements.

Balance Sheets At 30 June 2018

		Group		Company	
	Notes	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Assets					
Non-current assets					
Other intangible assets	4.2.2	**100.0**	100.0	**–**	–
Goodwill	4.2.1	**792.2**	792.2	**–**	–
Property, plant and equipment	4.5	**11.6**	9.5	**5.4**	4.9
Investments in subsidiary undertakings	4.1.3	**–**	–	**3,085.3**	3,098.4
Investments in joint ventures and associates	4.3	**234.1**	213.1	**–**	–
Retirement benefit assets	6.2.2	**58.7**	13.6	**58.7**	13.6
Available for sale financial assets	3.5	**3.1**	3.5	**–**	–
Trade and other receivables	3.2	**3.1**	2.3	**–**	–
		1,202.8	1,134.2	**3,149.4**	3,116.9
Current assets					
Inventories	3.1	**4,516.7**	4,475.4	**–**	–
Available for sale financial assets	3.5	**0.3**	0.4	**–**	–
Trade and other receivables	3.2	**226.8**	204.5	**86.0**	79.3
Cash and cash equivalents	5.1	**982.4**	784.4	**867.4**	703.8
Derivative financial instruments – swaps	5.4	**–**	13.2	**–**	13.2
		5,726.2	5,477.9	**953.4**	796.3
Total assets		**6,929.0**	6,612.1	**4,102.8**	3,913.2

		Group		Company	
	Notes	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Liabilities					
Non-current liabilities					
Loans and borrowings	5.1	**(191.1)**	(1.4)	**(191.1)**	–
Trade and other payables	3.3	**(566.7)**	(596.9)	**–**	(0.2)
Deferred tax liabilities	2.6.3	**(25.3)**	(8.0)	**(8.6)**	(0.5)
		(783.1)	(606.3)	**(199.7)**	(0.7)
Current liabilities					
Loans and borrowings	5.1	**–**	(72.5)	**(71.1)**	(111.8)
Trade and other payables	3.3	**(1,462.4)**	(1,534.2)	**(434.0)**	(531.5)
Derivative financial instruments – swaps	5.4	**–**	(5.8)	**–**	(5.8)
Current tax liabilities		**(85.8)**	(71.1)	**–**	–
		(1,548.2)	(1,683.6)	**(505.1)**	(649.1)
Total liabilities		**(2,331.3)**	(2,289.9)	**(704.8)**	(649.8)
Net assets		**4,597.7**	4,322.2	**3,398.0**	3,263.4
Equity					
Share capital	5.6.1	**101.3**	100.8	**101.3**	100.8
Share premium		**232.6**	224.7	**232.6**	224.7
Merger reserve	4.1.1	**1,109.0**	1,109.0	**1,109.0**	1,109.0
Retained earnings		**3,147.3**	2,878.6	**1,955.1**	1,828.9
Equity attributable to the owners of the Company		**4,590.2**	4,313.1	**3,398.0**	3,263.4
Non-controlling interests	4.1.2	**7.5**	9.1	**–**	–
Total equity		**4,597.7**	4,322.2	**3,398.0**	3,263.4

The notes on pages 130 to 180 form an integral part of these Financial Statements.

The Financial Statements of Barratt Developments PLC (registered number 00604574) were approved by the Board and authorised for issue on 4 September 2018. Signed on behalf of the Board.

David Thomas
Chief Executive

Jessica White
Chief Financial Officer

Cash Flow Statements Year ended 30 June 2018

	Notes	Group		Company	
		2018 £m	2017 £m	**2018 £m**	2017 £m
Net cash inflow/(outflow) from operating activities		**514.3**	388.6	**(124.2)**	360.1
Investing activities:					
Purchase of property, plant and equipment	4.5	**(7.5)**	(4.0)	**(3.7)**	(2.2)
Increase in amounts invested in entities accounted for using the equity method	4.3	**(58.6)**	(54.9)	**–**	–
Repayment of amounts invested in entities accounted for using the equity method	4.3	**11.7**	37.2	**–**	22.1
Dividends received from investments accounted for using the equity method	4.3	**41.8**	85.1	**–**	–
Dividends received from subsidiaries		**–**	–	**560.0**	–
Interest received		**2.9**	2.5	**3.5**	0.7
Net cash (outflow)/inflow from investing activities		**(9.7)**	65.9	**559.8**	20.6
Financing activities:					
Dividends paid to equity holders of the Company	2.5	**(434.9)**	(321.7)	**(434.9)**	(321.7)
Distribution made to non-controlling partner	4.1.2	**(1.4)**	–	**–**	–
Purchase of own shares		**(3.3)**	(3.6)	**(3.3)**	(3.6)
Proceeds from disposal of own shares		**0.1**	0.1	**0.1**	0.1
Proceeds from issue of share capital		**8.4**	2.4	**8.4**	2.4
Loan repayments		**(69.6)**	(105.6)	**(48.2)**	(100.0)
Drawdown of loans including issue of sterling US private placement notes		**200.0**	0.3	**211.8**	16.9
Cancellation of swaps		**(5.9)**	–	**(5.9)**	–
Net cash outflow from financing activities		**(306.6)**	(428.1)	**(272.0)**	(405.9)
Net increase/(decrease) in cash and cash equivalents		**198.0**	26.4	**163.6**	(25.2)
Cash and cash equivalents at the beginning of the year		**784.4**	758.0	**703.8**	729.0
Cash and cash equivalents at the end of the year	5.1	**982.4**	784.4	**867.4**	703.8

	Notes	Group		Company	
Reconciliation of operating profit/(loss) to cash flow from operating activities		**2018 £m**	2017 £m	**2018 £m**	2017 £m
Operating activities:					
Profit/(loss) from operations		**862.6**	799.2	**(6.5)**	(7.3)
Depreciation	4.5	**5.4**	4.1	**3.2**	2.1
Impairment of inventories	3.1.1	**3.3**	13.5	**–**	–
Profit on redemption of available for sale financial assets		**(1.9)**	(2.6)	**–**	–
Impairment of investment in entities accounted for using the equity method	4.3	**2.1**	1.0	**–**	1.0
Share-based payments charge	6.3	**11.0**	9.1	**6.3**	1.7
Imputed interest on deferred term payables*	5.2	**(34.3)**	(32.5)	**–**	–
Amortisation of facility fees	5.2	**(2.1)**	(3.3)	**(2.1)**	(3.3)
Finance income related to employee benefits	5.2	**0.6**	0.4	**0.6**	0.4
Total non-cash items		**(15.9)**	(10.3)	**8.0**	1.9
Increase in inventories		**(44.6)**	(162.3)	**–**	–
Increase in trade and other receivables		**(39.4)**	(66.7)	**(6.7)**	(11.1)
(Decrease)/increase in trade and other payables		**(102.3)**	(9.7)	**(105.8)**	404.9
Decrease in available for sale financial assets		**2.4**	3.3	**–**	–
Total movements in working capital		**(183.9)**	(235.4)	**(112.5)**	393.8
Interest paid		**(11.8)**	(23.2)	**(13.2)**	(28.3)
Tax paid		**(136.7)**	(141.7)	**–**	–
Net cash inflow/(outflow) from operating activities		**514.3**	388.6	**(124.2)**	360.1

* The Balance Sheet movements in land 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 130 to 180 form an integral part of these Financial Statements.

Section

1

Basis of preparation

1.1 Introduction

These Financial Statements have been prepared in accordance with IFRS as issued by the IASB, IFRIC interpretations and SIC interpretations as adopted and endorsed by the 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 130 to 180.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS 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 critical accounting 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 130 to 180.

1.2 Basis of consolidation

The Group Financial Statements include the results of Barratt Developments PLC (the 'Company'), a public company limited by shares and incorporated in England and Wales, and all of its subsidiary undertakings, made up to 30 June. The Financial Statements of subsidiary undertakings are consolidated from the date that control passes to the Group using the acquisition 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 and Company 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 1 to 56. 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 51 to 55 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 48 to 56, 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. In forming their conclusion, the Directors have considered all currently available information about the potential future outcomes of events and changes in conditions that are reasonably possible at the time of making this statement. In doing this they have concluded that no material uncertainties exist.

At 30 June 2018 the Group had total committed bank facilities and private placement notes of £900.0m. The final maturity dates of these facilities range from December 2022 to August 2027, with the £700.0m revolving credit facility maturing in December 2022 and the sterling US private placement notes maturing in August 2027. The committed facilities and private placement notes provide appropriate headroom above our current forecast debt requirements.

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.

1.4 Adoption of new and revised standards

During the year ended 30 June 2018, the Group has adopted the following new and revised standards:

- Amendments to IAS 7 (Statement of Cash Flows) resulting in enhanced disclosures of changes in financial liabilities in note 5.1.
- Amendments to IFRS 12 (Disclosure of Interests in Other Entities) included in the Annual Improvements to IFRS Standards 2014–2016 Cycle which has had no impact on the Financial Statements.
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses which has had no impact on the 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 2018 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 15 'Revenue from Contracts with Customers'** was issued in May 2014 and amended in September 2015. This standard will be applicable to the Group from 1 July 2018. The standard sets out requirements for revenue recognition from contracts with customers. The standard uses a five-step model to apportion revenue to the individual promises or performance obligations within a contract on the basis of standalone selling prices. The Group's accounting in respect of warranties, part-exchange transactions, introductory fees and management fees will be impacted.

  The Group previously offered a five-year warranty on private house sales. Under existing standards, no adjustment is made to revenue to reflect this warranty when the property is sold, although an allowance for future costs associated with the warranty is held within the Balance Sheet. On transition to IFRS 15, an element of the sales price and cost accrual of plots previously sold with this warranty will be deferred and recognised over the warranty period following the sale. For the year to 30 June 2018, the application of the new standard would reduce brought forward reserves by £5.2m and increase gross profit by £2.6m.

  Part-exchange income and expenses are currently recognised on a net basis within cost of sales, as disclosed in note 2.1. Under the new standard the income and associated costs will be shown separately below gross profit. For the year to 30 June 2018, this would reduce gross profit by £4.8m.

  Introductory fees are currently deducted from revenue but will be recognised in cost of sales under the new standard. This will have no effect on gross profit.

  Management fees on commercial construction contracts are currently included in other income, but will form part of revenue under the new standard. For the year to 30 June 2018, this would increase gross profit by £2.6m.

  For the year to 30 June 2018, the full application of the new standard would increase gross profit by £0.4m and increase operating profit by £2.6m. At transition on 1 July 2018, brought forward reserves will be decreased by £2.6m. There will be no effect on the Group's cash flows.

- **IFRS 9 'Financial Instruments'** was issued in final form incorporating the impairment, classification and measurement requirements in July 2014 and is effective for the Group from 1 July 2018. IFRS 9 will impact the classification, measurement, impairment and de-recognition of financial instruments as well as introducing a new hedge accounting model.

  Under IFRS 9 the Group's remaining secured loans will be reclassified as Fair Value through Profit and Loss and as a result future changes in fair value will be posted to the Income Statement rather than in Other Comprehensive Income. No adjustments will be required in respect of amounts previously dealt with in Other Comprehensive Income since following the sale of the majority of the Group's available for sale assets in February 2016 fair value adjustments previously held in reserves were realised and transferred to the Income Statement.

  The impairment requirements of the standard will require the Group to consider the expected credit losses on all financial assets and amended disclosures will be required in the Financial Statements. There is no material difference to the provision raised by the Group as at 30 June 2018.

  Also under the new standard, the Group will be required to recognise a gain or loss on a non-substantial modification of a financial liability in the Income Statement at the time of the modification. Amounts currently being amortised over the life of the modified liability will be released through reserves on transition.

  At transition on 1 July 2018, brought forward reserves will be decreased by £1.0m. There will be no effect on the Group's cash flows.

- **IFRS 16 'Leases'** was issued in January 2016 and is effective for the period beginning on 1 July 2019 with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' is also applied. The standard specifies how leases are recognised, measured and disclosed. The standard requires the recognition of a right-of-use asset and a corresponding lease liability on the Balance Sheet. In the Income Statement, the existing operating lease charge, the majority of which is currently recognised within operating profit, will be replaced by a depreciation charge in respect of the right-of-use asset and there will be an interest cost in relation to the lease liability which will be recognised within finance costs. The majority of the Group's lease commitments will be brought onto the Balance Sheet together with corresponding right-of-use assets. This will impact the timing of the recognition of lease costs within the Income Statement although it will not affect the Group's cash flows.

  Based on an analysis of lease commitments held by the Group during the year to 30 June 2018, and utilising discount rates calculated in that year, the net impact of the standard on the year to 30 June 2018, assuming that the transition rules apply, would be an increase in operating profit of £1.9m, but a decrease in profit before tax of £0.2m. Right-of-use assets of £55.5m and liabilities in respect of lease commitments of £55.7m would be brought onto the Balance Sheet.

  The composition of the Group's lease commitments will change over time and the discount rates applied are required to be updated to reflect the prevailing economic environment.

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.

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.

Contract accounting revenue

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 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. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of costs incurred that it is probable will be recoverable. A contract's outcome cannot be estimated reliably during its early stages, which is normally assessed to be when no more than 30% of the total contract work has been completed. When it is probable that the total costs on a construction contract will exceed total contract revenue, the expected loss is immediately recognised as an expense in the Income Statement.

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.

An analysis of the Group's revenue is as follows:

	Notes	**2018 £m**	2017 £m
Sale of goods		**4,843.2**	4,585.9
Contract accounting revenue		**31.6**	64.3
Revenue as stated in the Consolidated Income Statement		**4,874.8**	4,650.2
Lease income	7.1.2	**2.0**	0.8
Finance income	5.2	**3.5**	2.9
Forfeit deposits		**0.8**	0.7
Other income		**54.2**	45.9
Total revenue		**4,935.3**	4,700.5

Sale of goods includes £480.8m (2017: £437.7m) 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 £262.9m (2017: £241.3m).

Other income principally comprises the sale of freehold reversions, management fees receivable from joint ventures, property management income and ground rent receivable.

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.

2.2 Segmental analysis *continued*

Adjusted items

Items that are material in size or unusual or infrequent in nature are presented as adjusted items in the Income Statement. The Directors are of the opinion that the separate presentation of adjusted items provides helpful information about the Group's underlying business performance. Examples of events that may give rise to the classification of items as adjusted are the restructuring of existing and newly-acquired businesses, refinancing costs, gains or losses on the disposal of businesses or individual assets, pension scheme curtailments and asset impairments, including land, work in progress, goodwill and investments.

	2018			2017		
	House-building	**Commercial developments**	**Total**	House-building	Commercial developments	Total
	Units	**Units**	**Units**	Units	Units	Units
Residential completions[1]	**16,680**	**–**	**16,680**	16,645	–	16,645
Consolidated Income Statement	**£m**	**£m**	**£m**	£m	£m	£m
Revenue	**4,827.0**	**47.8**	**4,874.8**	4,589.1	61.1	4,650.2
Cost of sales	**(3,821.6)**	**(37.3)**	**(3,858.9)**	(3,661.9)	(47.5)	(3,709.4)
Costs associated with legacy properties[2]	**(4.0)**	**(3.0)**	**(7.0)**	–	(8.8)	(8.8)
Gross profit	**1,001.4**	**7.5**	**1,008.9**	927.2	4.8	932.0
Administrative expenses	**(143.8)**	**(2.5)**	**(146.3)**	(129.4)	(3.4)	(132.8)
Profit from operations	**857.6**	**5.0**	**862.6**	797.8	1.4	799.2
Share of post-tax profit/(loss) from joint ventures and associates	**18.5**	**(0.5)**	**18.0**	26.5	(0.9)	25.6
Profit from operations including post-tax profit/(loss) from joint ventures and associates	**876.1**	**4.5**	**880.6**	824.3	0.5	824.8
Finance income			**3.5**			2.9
Finance costs			**(48.6)**			(62.6)
Profit before tax			**835.5**			765.1
Tax			**(164.0)**			(149.1)
Profit for the year from continuing operations			**671.5**			616.0

	2018			2017		
	House-building	**Commercial developments**	**Total**	House-building	Commercial developments	Total
Balance Sheet	**£m**	**£m**	**£m**	£m	£m	£m
Segment assets	**5,959.9**	**16.9**	**5,976.8**	5,821.4	27.6	5,849.0
Elimination of intercompany balances			**(30.2)**			(21.3)
			5,946.6			5,827.7
Cash and cash equivalents			**982.4**			784.4
Consolidated total assets			**6,929.0**			6,612.1
Segment liabilities	**(1,995.8)**	**(63.5)**	**(2,059.3)**	(2,081.9)	(76.3)	(2,158.2)
Elimination of intercompany balances			**30.2**			21.3
			(2,029.1)			(2,136.9)
Loans and borrowings			**(191.1)**			(73.9)
Deferred tax liabilities			**(25.3)**			(8.0)
Current tax liabilities			**(85.8)**			(71.1)
Consolidated total liabilities			**(2,331.3)**			(2,289.9)

	2018			2017		
Other information	**House-building £m**	**Commercial developments £m**	**Total £m**	House-building £m	Commercial developments £m	Total £m
Capital additions	**7.5**	**–**	**7.5**	4.0	–	4.0
Depreciation	**5.4**	**–**	**5.4**	4.1	–	4.1

[1] Residential completions exclude joint venture completions of 899 (2017: 750) in which the Group has an interest.

[2] During the year an amount of £7.0m (2017: £8.8m) was provided in respect of costs associated with legacy properties. These costs have been separately disclosed in the Income Statement. In determining the sum provided it was necessary to estimate the cash flows associated with the assets, and to discount a proportion of these at an appropriate rate. The discount rate was determined at 3.8% (2017: 2.3%) with reference to the Group's forecast average cost of long term debt.

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.

Lease charges

Operating lease rentals are charged to the Income Statement in equal instalments over the life of the lease.

Estimation of future income and 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 and make estimates relating to future sales price margins on those developments and units. 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.

Management have performed a sensitivity analysis to assess the impact of a change in estimated costs for developments on which sales were recognised in the year. A 1% increase in estimated costs recognised in the year would reduce the Group's gross margin by 60bps.

Profit from operations is stated after charging/(crediting):

	Notes	2018 £m	2017 £m
Employee costs (including Directors)	6.1	**390.5**	371.7
Depreciation of property, plant and equipment	4.5	**5.4**	4.1
R&D tax credit		**(0.4)**	(0.2)
Lease income	7.1.2	**(2.0)**	(0.8)
Operating lease charges:			
– hire of plant, machinery and vehicles		**36.9**	28.4
– other		**20.0**	20.3

Administrative expenses of £146.3m (2017: £132.8m) include sundry income of £55.0m (2017: £46.6m) 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 101 and in note 6.1.

The Group does not recognise income from supplier rebates until received from suppliers. During the year, £27.8m (2017: £28.5m) 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	2018 £000	2017 £000
Fees payable to the Company's auditor for the audit of the Parent Company and Consolidated Financial Statements	**98**	95
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	**267**	256
Total audit fees	**365**	351
Audit-related assurance services[1]	**25**	25
Other taxation advisory services[2]	**–**	30
Other services[2]	**22**	153
Total fees for other services	**47**	208
Total fees related to the Company and its subsidiaries	**412**	559

[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 78 to 86.

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:

	2018 £000	2017 £000
The audit of the Group's joint ventures pursuant to legislation	**136**	140
Other services	**6**	5
Total fees related to joint ventures	**142**	145

2.4 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Parent Company of £671.7m (2017: £615.8m) by the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust that do not attract dividend equivalents which are treated as cancelled, which was 1,010.7m (2017: 1,004.3m) shares.

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Parent Company of £671.7m (2017: £615.8m) 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 1,020.0m (2017: 1,014.7m) shares.

The earnings per share from continuing operations were as follows:

	2018 pence	2017 pence
Basic earnings per share	**66.5**	61.3
Diluted earnings per share	**65.9**	60.7

2.5 Dividends

	2018 £m	2017 £m
Amounts recognised as distributions to equity shareholders in the year:		
Final dividend for the year ended 30 June 2017 of 17.1p (2016: 12.3p) per share	**172.9**	123.6
Special dividend for the year ended 30 June 2017 of 17.3p (2016: 12.4p) per share	**175.0**	124.7
Interim dividend for the year ended 30 June 2018 of 8.6p (2017: 7.3p) per share	**87.0**	73.4
Total dividends distributed to equity shareholders in the year	**434.9**	321.7

	2018 £m	2017 £m
Proposed final dividend for the year ended 30 June 2018 of 17.9p (2017: 17.1p) per share	**181.1**	172.2
Proposed special dividend for the year ended 30 June 2018 of 17.3p (2017: 17.3p) per share	**175.0**	175.0

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 2018 and has not been included as a liability at 30 June 2018.

2.6 Tax

All profits of the Group are subject to UK corporation tax.

The current year tax charge has been provided for, by the Group and Company, at a standard effective rate of 19.0% (2017: 19.75%) and the closing deferred tax assets and liabilities have been provided in these Financial Statements at a rate of between 17.0% and 19.0% (2017: between 17.0% and 19.0%) of the temporary differences giving rise to these assets and liabilities, dependent upon when they are expected to reverse.

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.

2.6 Tax *continued*

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.

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.

2.6.1 Tax recognised in the Income Statement

The tax expense represents the sum of the tax currently payable and deferred tax.

Analysis of the tax charge for the year

	Notes	**2018** **£m**	2017 £m
Current tax:			
UK corporation tax for the year		**161.0**	152.8
Adjustment in respect of previous years		**(6.5)**	0.5
		154.5	153.3
Deferred tax:			
Origination and reversal of temporary differences		**(1.4)**	(3.1)
Adjustment in respect of previous years		**10.9**	(0.4)
Impact of reduction in corporation tax rate		**–**	(0.7)
	2.6.3	**9.5**	(4.2)
Tax charge for the year		**164.0**	149.1

Factors affecting the tax charge for the year

The tax rate assessed for the year is higher (2017: lower) than the standard effective rate of corporation tax in the UK of 19.0% (2017: 19.75%). The differences are explained below:

	2018 **£m**	2017 £m
Profit before tax	**835.5**	765.1
Profit before tax multiplied by the standard rate of corporation tax of 19.0% (2017: 19.75%)	**158.7**	151.1
Effects of:		
Other items including non-deductible expenses	**3.3**	1.0
Additional tax relief for land remediation costs	**(2.1)**	(1.8)
Adjustment in respect of previous years	**4.4**	0.1
Adjustment for post-tax profits of certain joint ventures included in Group profit before tax	**(0.3)**	(0.6)
Impact of change in tax rate on deferred tax asset	**–**	(0.7)
Tax charge for the year	**164.0**	149.1

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 £5.1m (2017: £2.0m credit) was recognised directly in equity.

2.6 Tax *continued*

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.

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**	**Accelerated capital allowances £m**	**Other (net) £m**	**Total £m**
At 1 July 2016	(1.6)	5.5	–	2.4	(18.0)	1.2	–	(10.5)
Income Statement (charge)/credit	(1.0)	(0.2)	0.1	–	1.0	(0.2)	4.5	4.2
Amounts taken directly to equity	–	0.7	–	(2.4)	–	–	–	(1.7)
At 30 June 2017	(2.6)	6.0	0.1	–	(17.0)	1.0	4.5	(8.0)
Comprising:								
Deferred tax assets	–	6.0	0.1	–	–	1.0	4.9	12.0
Deferred tax liabilities	(2.6)	–	–	–	(17.0)	–	(0.4)	(20.0)
Year ended 30 June 2018:								
Income Statement (charge)/credit	**(3.0)**	**(0.8)**	**(0.1)**	**–**	**–**	**0.2**	**(5.8)**	**(9.5)**
Amounts taken directly to equity	**(5.5)**	**(2.3)**	**–**	**–**	**–**	**–**	**–**	**(7.8)**
At 30 June 2018	**(11.1)**	**2.9**	**–**	**–**	**(17.0)**	**1.2**	**(1.3)**	**(25.3)**
Comprising:								
Deferred tax assets	**–**	**2.9**	**–**	**–**	**–**	**1.2**	**3.4**	**7.5**
Deferred tax liabilities	**(11.1)**	**–**	**–**	**–**	**(17.0)**	**–**	**(4.7)**	**(32.8)**

The deferred tax liability in respect of brands represents the amount of tax that would become due if the brands were sold at their book value. There is no intention to sell the brands in the foreseeable future and, therefore, 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. The deferred tax asset in respect of share schemes represents an estimate of the future tax deduction available on the exercise or vesting of awards under those schemes. 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 addition to the deferred tax liability shown above, the Group has not recognised a deferred tax asset of £2.0m (2017: £2.0m) in respect of capital and other losses amounting to £11.5m (2017: £11.5m) because these are not considered recoverable in the foreseeable future.

The Company recognised a net deferred tax liability with the following movements in the year:

						Company
	Pension scheme £m	**Share options £m**	**Hedging £m**	**Accelerated capital allowances £m**	**Other (net) £m**	**Total £m**
At 1 July 2016	(1.6)	1.2	2.4	0.5	–	2.5
Income Statement (charge)/credit	(1.0)	(0.3)	–	–	0.5	(0.8)
Amounts taken directly to equity	–	0.2	(2.4)	–	–	(2.2)
At 30 June 2017	(2.6)	1.1	–	0.5	0.5	(0.5)
Comprising:						
Deferred tax assets	–	1.1	–	0.5	0.5	2.1
Deferred tax liabilities	(2.6)	–	–	–	–	(2.6)
Year ended 30 June 2018:						
Income Statement (charge)/credit	**(3.0)**	**0.4**	**–**	**0.2**	**(0.2)**	**(2.6)**
Amounts taken directly to equity	**(5.5)**	**–**	**–**	**–**	**–**	**(5.5)**
At 30 June 2018	**(11.1)**	**1.5**	**–**	**0.7**	**0.3**	**(8.6)**
Comprising:						
Deferred tax assets	**–**	**1.5**	**–**	**0.7**	**0.3**	**2.5**
Deferred tax liabilities	**(11.1)**	**–**	**–**	**–**	**–**	**(11.1)**

Section

3

Working capital

3.1 Inventories

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.

	Group	
	2018 £m	2017 £m
Land held for development	**2,963.4**	2,895.6
Construction work in progress	**1,463.1**	1,509.1
Part-exchange properties and other inventories	**90.2**	70.7
	4,516.7	4,475.4

The Company has no inventories.

3.1.1 Nature and carrying value of inventories

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 2018 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.

During the year, due to performance variations, changes in assumptions and changes to viability on individual sites, there were gross impairment charges of £13.2m (2017: £16.8m) and gross impairment reversals of £9.9m (2017: £3.3m), resulting in a net impairment charge of £3.3m (2017: £13.5m) included within profit from operations.

The key estimates in these reviews are those used to estimate the realisable value of a site, which is determined by forecast sales rates, expected sales prices and estimated costs to complete.

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 2018 and included in cost of sales was £3,619.7m (2017: £3,509.6m).

3.2 Trade and other receivables

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.

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Non-current assets				
Other receivables	**3.1**	2.3	**–**	–
	3.1	2.3	**–**	–
Current assets				
Trade receivables	**141.4**	133.3	**–**	0.1
Amounts due from subsidiary undertakings	**–**	–	**83.0**	75.8
Other receivables	**76.1**	58.7	**0.6**	0.8
Prepayments and accrued income	**9.3**	12.5	**2.4**	2.6
	226.8	204.5	**86.0**	79.3

Of the year end trade receivables, the following were overdue but not impaired:

	Group	
Ageing of overdue but not impaired receivables	**2018 £m**	2017 £m
Less than three months	**9.6**	5.3
Greater than three months	**0.7**	2.5

The carrying values of trade and other receivables are stated after the following allowance for doubtful receivables:

		Group	
Allowance for doubtful receivables	Notes	**2018 £m**	2017 £m
At 1 July		**4.7**	3.5
Charge for the year	5.3.4	**7.1**	4.6
Recoveries and uncollectable amounts written off		**(6.5)**	(3.4)
At 30 June		**5.3**	4.7

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.

3.3 Trade and other payables

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
	2018 £m	2017 £m	**2018 £m**	2017 £m
Non-current liabilities				
Land payables	**520.0**	560.1	**–**	–
Other payables	**46.7**	36.8	**–**	0.2
	566.7	596.9	**–**	0.2
Current liabilities				
Trade payables	**361.1**	376.6	**1.4**	1.4
Land payables	**476.7**	503.9	**–**	–
Amounts due to subsidiary undertakings	**–**	–	**409.5**	508.7
Accruals and deferred income	**511.6**	450.8	**22.1**	20.3
Other tax and social security	**14.1**	12.7	**–**	–
Other payables	**98.9**	190.2	**1.0**	1.1
	1,462.4	1,534.2	**434.0**	531.5

Accruals and deferred income includes a £2.7m (2017: £3.3m) social security accrual relating to share-based payments (note 6.3). Other payables classified as current liabilities principally comprise payments received on account. Other payables classified as non-current liabilities at 30 June 2018 principally comprise payments and deposits received in advance.

The Group has £529.2m (2017: £382.7m) of payables secured by legal charges on certain assets and £79.4m (2017: £61.9m) 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

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
	2018 £m	2017 £m
Amounts due from contract customers included in trade and other receivables	**2.1**	2.8
Amounts due to contract customers included in trade and other payables	**(3.5)**	(1.7)
	(1.4)	1.1

For contracts in progress at the balance sheet date, contract costs incurred plus recognised profits less recognised losses to date amounted to £85.9m (2017: £208.1m).

At 30 June 2018, retentions held by customers for contract work on contracts in progress at the balance sheet date amounted to £0.7m (2017: £2.1m), of which £0.1m (2017: £1.3m) is due for settlement after 12 months. Advances received from customers for contract work on contracts in progress at the balance sheet date amounted to £3.1m (2017: £nil), of which £0.2m (2017: £nil) relates to work, which is not expected to be performed in the next 12 months.

3.5 Available for sale financial assets

Available for sale financial assets principally comprise interest free loans that were 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).

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 in accordance with IAS 39, 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	
Secured loans	Notes	**2018 £m**	2017 £m
At 1 July		**3.9**	4.6
Additions		**–**	–
Disposals (at cost)		**(2.4)**	(3.4)
Other provision movements		**1.9**	2.7
At 30 June		**3.4**	3.9
Balance at 30 June analysed as:			
Current	5.3.1	**0.3**	0.4
Non-current	5.3.1	**3.1**	3.5

Following the sale of the majority of the Group's available for sale assets in February 2016, 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

4

Business combinations and other investing activities

4.1 Business combinations

Consolidation

The financial statements of subsidiary undertakings are consolidated from the date when control passes to the Group, as defined in IFRS 3, using the acquisition 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

	Group	
Movement in non-controlling interest share of net assets recognised in the Consolidated Balance Sheet	**2018 £m**	2017 £m
At 1 July	**9.1**	8.9
Distribution of profits to non-controlling partners	**(1.4)**	–
Share of (loss)/profit for the year recognised in the Consolidated Income Statement	**(0.2)**	0.2
At 30 June	**7.5**	9.1

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

Company investments

The Company's interests in subsidiary undertakings are accounted for at cost less accumulated 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 2018 £m	Company 2017 £m
Cost		
At 1 July	**3,177.6**	3,179.3
Decrease in investment in subsidiaries related to share-based payments	**(4.7)**	(1.7)
At 30 June	**3,172.9**	3,177.6
Impairment		
At 1 July	**79.2**	79.2
Impairment charged in the year	**8.4**	–
At 30 June	**87.6**	79.2
Net book value		
At 1 July	**3,098.4**	3,100.1
At 30 June	**3,085.3**	3,098.4

During the year, the Company's investment in one of its subsidiaries, Barratt Commercial Limited, was impaired by £8.4m (2017: £nil) following a review of the value-in-use of that company.

4.2 Goodwill and other intangible assets

4.2.1 Goodwill

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
Cost	
At 1 July 2016, 30 June 2017 and 30 June 2018	**816.7**
Accumulated impairment losses	
At 1 July 2016, 30 June 2017 and 30 June 2018	**24.5**
Carrying amount	
At 30 June 2017 and 30 June 2018	**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.

4.2.2 Other intangible assets – Brands

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
Cost	
At 1 July 2016, 30 June 2017 and 30 June 2018	**107.0**
Amortisation	
At 1 July 2016, 30 June 2017 and 30 June 2018	**7.0**
Carrying amount	
At 30 June 2017 and 30 June 2018	**100.0**

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.

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 target capital structure, 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. The sensitivity of the valuation of goodwill and brands to changes in expectations and discount rates is set out in this note.

An impairment review was performed at 30 June 2018 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 two years of cash flows were determined using the Group's approved detailed site-by-site business plan. The cash flows for the third to the 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.

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 14.5% (2017: 14.5%) 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.

4.2 Goodwill and other intangible assets *continued*

4.2.3 Impairment of goodwill and intangible assets *continued*

- 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 two years dependent upon local market conditions and product type. For years three to five, these have been estimated at a Group level based upon past experience and expectations of future changes in the market, taking into account external market forecasts.
- Sales volumes: these are determined on a site-by-site basis for the first two years dependent upon local market conditions, land availability and planning permissions. For years three to five, these have been estimated at a Group level based upon past experience and expectations of future changes in the market, taking into account external market forecasts.
- Expected changes in site costs to complete: these are determined on a site-by-site basis for the first two years dependent upon the expected costs of completing all aspects of each individual development. For years three to five, these have been estimated at a Group level based upon past experience and expectations of future changes in the market, taking into account external market forecasts.

The result of the value-in-use exercise concluded that the recoverable value of goodwill and intangible assets exceeded its carrying value by £1,731.4m (2017: £1,720.8m) and there has been no impairment.

Management have performed a sensitivity analysis in assessing recoverable amounts of goodwill, based on changes in key assumptions considered to be possible. These have included a change in the pre-tax discount rate of 1% and changes in the long term growth rate of 1%.

The sensitivity analysis shows no impairment would arise in isolation under each scenario.

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.

Jointly controlled and associated entities

Joint ventures and associated entities are accounted for using the equity method of accounting.

	Group		Company	
Joint ventures and associates	**2018 £m**	2017 £m	**2018 £m**	2017 £m
At 1 July	**213.1**	255.9	**–**	23.1
Increase in amounts invested in joint ventures	**58.6**	54.9	**–**	–
Repayment of investments in joint ventures	**(11.7)**	(37.2)	**–**	(22.1)
Impairment of investments in joint ventures	**(2.1)**	(1.0)	**–**	(1.0)
Dividends received from joint ventures	**(41.8)**	(85.1)	**–**	–
Share of post-tax profit for the year from joint ventures	**18.6**	25.4	**–**	–
Share of post-tax (loss)/profit for the year from associates	**(0.6)**	0.2	**–**	–
At 30 June	**234.1**	213.1	**–**	–

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 2018 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 arrangement: Wichelstowe LLP. At 30 June 2018 the Group has interests in the following jointly controlled entities:

Joint venture	Registered office	Percentage owned	Voting rights controlled	Country of registration	Principal place of business	Principal activity	Financial year end date
51 College Road LLP	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding	31 March*
Aldgate Land One Limited[2]	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Dormant	30 June
Aldgate Land Two Limited[2]	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Dormant	30 June
Aldgate Place (GP) Limited	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	General partner	30 June
Alie Street LLP[2]	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding	31 March*
Barratt Metropolitan LLP[1]	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	75.0%	50.0%	England and Wales	UK	Housebuilding	30 June
Barratt Osborne Bexley LLP	Fonteyn House, 47-49 London Road, Reigate, Surrey, RH2 9PY	50.0%	50.0%	England and Wales	UK	Dormant	30 September*
Barratt Osborne Worthing LLP	Fonteyn House, 47-49 London Road, Reigate, Surrey, RH2 9PY	50.0%	50.0%	England and Wales	UK	Dormant	30 April*
Barratt Wates (East Grinstead) Limited	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Holding company	30 June
Barratt Wates (East Grinstead) No.2 Limited[2]	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding	30 June
Barratt Wates (Horley) Limited[1]	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	78.5%	50.0%	England and Wales	UK	Housebuilding	30 June
Barratt Wates (Lindfield) Limited	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding	30 June
Barratt Wates (Worthing) Limited	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding	30 June
BDWZest Developments LLP[2]	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Holding company	31 March*
BDWZest LLP	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Holding company	31 March*
BK Scotswood LLP	Barratt House, The Watermark, Gateshead , NE11 9SZ	50.0%	50.0%	England and Wales	UK	Holding company	31 December*
Brooklands Milton Keynes LLP	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding	30 June
DWH/Wates (Thame) Limited	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding	30 June

4.3 Investments in jointly controlled entities and associated entities *continued*

4.3.1 Joint ventures *continued*

Joint venture	Registered office	Percentage owned	Voting rights controlled	Country of registration	Principal place of business	Principal activity	Financial year end date
Enderby Wharf LLP	Here East, 13 East Bay Lane, 3rd Floor Press Centre, Queen Elizabeth Park, London, E15 2GW	50.0%	50.0%	England and Wales	UK	Housebuilding	30 June
Fulham Wharf LLP[2]	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding	31 March*
Fulham Wharf One Limited[2]	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Dormant	31 March*
Fulham Wharf Two Limited[2]	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Dormant	31 March*
Harrow View LLP	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding	31 March*
Infinity Park Derby LLP	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Commercial development	30 June
Nine Elms LLP[2]	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding	31 March*
Nine Elms One Limited[2]	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Dormant	31 March*
Nine Elms Two Limited[2]	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Dormant	31 March*
Old Sarum Park Properties Limited	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Dormant	30 June
Queensland Road LLP[2]	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding	31 March*
Ravenscraig Limited[1]	15 Atholl Crescent, Edinburgh, EH3 8HA	33.3%	33.3%	Scotland	UK	Commercial development	31 December*
Ravenscraig Town Centre LLP	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Dormant	30 June
Rose Shared Equity LLP	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Investment entity	30 June
Sovereign BDW (Hutton Close) LLP	Woodlands, 90 Bartholomew Street, Newbury, West Berkshire, RG14 5EE	50.0%	50.0%	England and Wales	UK	Dormant	30 June
Sovereign BDW (Newbury) LLP	Woodlands, 90 Bartholomew Street, Newbury, West Berkshire, RG14 5EE	50.0%	50.0%	England and Wales	UK	Housebuilding	30 June
The Aldgate Place Limited Partnership	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding	30 June

4.3 Investments in jointly controlled entities and associated entities *continued*

4.3.1 Joint ventures *continued*

Joint venture	Registered office	Percentage owned	Voting rights controlled	Country of registration	Principal place of business	Principal activity	Financial year end date
Wichelstowe LLP	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding	31 March*
ZestBDW LLP	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF	50.0%	50.0%	England and Wales	UK	Holding company	31 March*

* Joint venture prepares 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 and requirements of our joint venture partners.

Judgements applied in determining the classification of joint arrangements

1 The Group holds two joint venture investments (Barratt Wates (Horley) Limited and Barratt Metropolitan LLP) not in equal share, and one (Ravenscraig Limited) with more than one other party. However, in each case, 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.

2 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. Nine Elms One Limited and Nine Elms Two Limited are wholly owned subsidiaries of Nine Elms LLP, and Fulham Wharf One Limited and Fulham Wharf Two Limited are wholly owned subsidiaries of Fulham Wharf LLP. 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:

	Harrow View LLP		Fulham Wharf LLP		Nine Elms LLP		Enderby Wharf LLP		Barratt Metropolitan LLP		The Aldgate Place Limited Partnership		Brooklands Milton Keynes LLP		Other joint ventures		Group Total	
	2018 £m	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Income	**5.8**	–	**11.9**	53.2	**111.0**	122.8	**78.6**	51.9	**45.2**	28.9	**2.1**	57.3	**83.0**	67.2	**65.4**	84.2	**403.0**	465.5
Expenditure	**(5.5)**	(0.4)	**(36.1)**	(55.5)	**(99.8)**	(118.8)	**(62.9)**	(43.6)	**(38.4)**	(22.1)	**(16.4)**	(56.1)	**(56.5)**	(43.3)	**(52.0)**	(73.8)	**(367.6)**	(413.6)
	0.3	(0.4)	**(24.2)**	(2.3)	**11.2**	4.0	**15.7**	8.3	**6.8**	6.8	**(14.3)**	1.2	**26.5**	23.9	**13.4**	10.4	**35.4**	51.9
Tax	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(1.1)**	(2.2)	**(1.1)**	(2.2)
Profit/(loss) for the year, being total comprehensive income/(expense)	**0.3**	(0.4)	**(24.2)**	(2.3)	**11.2**	4.0	**15.7**	8.3	**6.8**	6.8	**(14.3)**	1.2	**26.5**	23.9	**12.3**	8.2	**34.3**	49.7
Group share of profit/(loss) for the year recognised in the Consolidated Income Statement	**0.2**	(0.2)	**(12.1)**	(1.2)	**5.6**	2.0	**7.9**	4.2	**5.1**	5.1	**(7.2)**	0.6	**13.3**	11.9	**5.8**	3.0	**18.6**	25.4
Dividends received from joint ventures in the year	**–**	–	**–**	5.0	**–**	10.0	**23.0**	22.0	**–**	3.7	**–**	–	**16.5**	22.7	**2.3**	21.7	**41.8**	85.1
Current assets	**93.9**	86.4	**85.0**	141.8	**173.4**	193.2	**19.5**	57.1	**73.9**	50.6	**37.5**	77.4	**42.8**	28.3	**128.5**	102.9	**654.5**	737.7
Non-current assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**14.3**	15.7	**14.3**	15.7
Current liabilities	**(2.3)**	(37.3)	**(3.9)**	(12.5)	**(28.8)**	(71.7)	**(10.7)**	(15.9)	**(60.6)**	(44.1)	**(5.9)**	(14.2)	**(38.5)**	(17.6)	**(106.8)**	(39.6)	**(257.5)**	(252.9)
Non-current liabilities	**–**	(49.5)	**–**	(19.0)	**(9.0)**	(67.1)	**–**	(2.1)	**–**	–	**(15.0)**	(32.5)	**–**	–	**(108.6)**	(92.0)	**(132.6)**	(262.2)
Net assets/(liabilities) of joint ventures	**91.6**	(0.4)	**81.1**	110.3	**135.6**	54.4	**8.8**	39.1	**13.3**	6.5	**16.6**	30.7	**4.3**	10.7	**(72.6)**	(13.0)	**278.7**	238.3
Group share of net assets/(liabilities) recognised in the Consolidated Balance Sheet at 30 June	**45.8**	(0.2)	**40.6**	55.2	**67.8**	27.2	**4.4**	19.6	**10.0**	4.8	**8.3**	15.4	**2.2**	5.4	**(33.6)**	(3.7)	**145.5**	123.7

During the year, the Group entered into a number of transactions with its 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 7.3.3. The Group and Company have a number of contingent liabilities relating to their joint ventures. Further details on these are provided in note 7.2.2.

The Group has made loans of £104.9m (2017: £174.9m) 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 £97.0m (2017: £172.5m).

During the year the Group impaired its investment in BK Scotswood LLP by £2.1m following a review of the net realisable value of its assets.

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. 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.

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.

Rose Shared Equity LLP held non-current available for sale financial assets comprising interest free loans secured by way of a second charge on the respective property. During the prior year the interest free loans were sold to funds managed by PMM Advisers. The Group's investment in Rose Shared Equity LLP is accounted for using the equity method of accounting and was impaired by £1.0m following the sale of the LLP's assets.

4.3.2 Associated entities

The Group has a significant interest 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.

During the year New Tyne West Development Company LLP impaired its assets by £0.6m following a review of their net realisable value.

In relation to the Group's interests in associates, the Group's share of assets and liabilities of its associate is an asset of £nil at 30 June 2018 (2017: asset of £0.5m). The Group's share of the associate's loss during the year was £0.6m (2017: £0.2m profit).

The Group has made loans of £nil (2017: £nil) to its associate. Further details of transactions between the Group and its associate are provided in note 7.3.4.

The Group has no contingent liabilities relating to its associated entity.

4.4 Jointly controlled operations

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 Company has no jointly controlled operations (2017: 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
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
	2018 £m	2017 £m
Group share:		
Income	**12.0**	21.7
Expenses	**(10.3)**	(15.2)
Share of profit from joint operations	**1.7**	6.5
Group share:		
Current assets	**11.9**	9.1
Non-current assets	**–**	0.1
Current liabilities	**(2.9)**	(1.9)
Share of net assets of joint operations	**9.0**	7.3

4.5 Property, plant and equipment

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
Cost						
At 1 July 2016	3.2	26.1	29.3	0.2	12.2	12.4
Additions	0.4	3.6	4.0	–	2.2	2.2
Disposals	(0.1)	(0.2)	(0.3)	–	–	–
At 30 June 2017	3.5	29.5	33.0	0.2	14.4	14.6
Additions	**–**	**7.5**	**7.5**	**–**	**3.7**	**3.7**
Disposals	**–**	**(0.3)**	**(0.3)**	**–**	**–**	**–**
At 30 June 2018	**3.5**	**36.7**	**40.2**	**0.2**	**18.1**	**18.3**
Depreciation						
At 1 July 2016	2.8	16.9	19.7	0.2	7.4	7.6
Charge for the year	0.1	4.0	4.1	–	2.1	2.1
Disposals	(0.1)	(0.2)	(0.3)	–	–	–
At 30 June 2017	2.8	20.7	23.5	0.2	9.5	9.7
Charge for the year	**0.1**	**5.3**	**5.4**	**–**	**3.2**	**3.2**
Disposals	**–**	**(0.3)**	**(0.3)**	**–**	**–**	**–**
At 30 June 2018	**2.9**	**25.7**	**28.6**	**0.2**	**12.7**	**12.9**
Net book value						
At 30 June 2017	0.7	8.8	9.5	–	4.9	4.9
At 30 June 2018	**0.6**	**11.0**	**11.6**	**–**	**5.4**	**5.4**

Authorised future capital expenditure that was contracted but not provided for in these Financial Statements amounted to £1.5m (2017: £0.3m).

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:

		Group		Company	
	Notes	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Cash and cash equivalents	5.1.1	**982.4**	784.4	**867.4**	703.8
Drawn debt					
Borrowings					
Government loans		**–**	(21.4)	**–**	–
Sterling US private placement notes		**(200.0)**	–	**(200.0)**	–
US Dollar private placement notes		**–**	(61.6)	**–**	(61.6)
Bank overdrafts		**–**	–	**(71.1)**	(59.3)
Prepaid fees		**8.9**	9.1	**8.9**	9.1
Total borrowings being total drawn debt		**(191.1)**	(73.9)	**(262.2)**	(111.8)
Derivative financial instruments					
Foreign exchange swaps	5.4	**–**	13.2	**–**	13.2
Net cash		**791.3**	723.7	**605.2**	605.2
Total borrowings at 30 June are analysed as:					
Non-current borrowings		**(191.1)**	(1.4)	**(191.1)**	–
Current borrowings		**–**	(72.5)	**(71.1)**	(111.8)
Total borrowings being total drawn debt		**(191.1)**	(73.9)	**(262.2)**	(111.8)

Movement in net cash, including a reconciliation of liabilities arising from financing activities, is analysed as follows:

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Net increase/(decrease) in cash and cash equivalents	**198.0**	26.4	**163.6**	(25.2)
Repayment/(drawdown) of borrowings including issue of sterling US private placement notes:				
Loan drawdowns	**–**	–	**(11.8)**	(16.6)
Loan repayments	**21.4**	105.6	**–**	100.0
Repayment of US Dollar private placement notes	**48.4**	–	**48.4**	–
Issue of sterling US private placement notes	**(200.0)**	–	**(200.0)**	–
Other movements in borrowings:				
Movement in prepaid fees	**(0.2)**	(0.3)	**(0.2)**	(0.3)
Foreign exchange loss on US Dollar private placement notes	**(0.8)**	(1.7)	**(0.8)**	(1.7)
Foreign exchange gain on swaps	**0.8**	1.7	**0.8**	1.7
Movement in net cash in the year	**67.6**	131.7	**–**	57.9
Opening net cash	**723.7**	592.0	**605.2**	547.3
Closing net cash	**791.3**	723.7	**605.2**	605.2

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 Net cash *continued*

5.1.2 Borrowings and facilities

Loans and borrowings

Interest bearing loans and overdrafts are recorded as 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.

All debt facilities at 30 June 2018 are unsecured.

The principal features of the Group's debt facilities at 30 June 2018 and 30 June 2017 were as follows:

		Amount drawn		
	Facility	**30 June 2018**	30 June 2017	**Maturity**
Committed facilities				
Revolving credit facility (RCF)	£700.0m	**–**	–	29 December 2022
Fixed rate sterling US private placement notes	£200.0m	**£200.0m**	–	22 August 2027
Government loans*	–	**–**	£16.8m	Repaid in full on 3 April 2018
Local government loan agreements	–	**–**	£4.6m including £0.2m interest	Repaid in full on 31 March 2018
Fixed rate US Dollar private placement notes	–	**–**	$80.0m	Repaid in full on 23 August 2017

* Government loans comprised cash received for specific sites under the Government's 'Get Britain Building' scheme, which were repaid during the year as described in the table above.

The Group also uses various bank overdrafts and uncommitted borrowing facilities that are subject to floating interest rates linked to the 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

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	**2018 £m**	2017 £m
Finance income			
Finance income on short term bank deposits		**(1.1)**	(0.7)
Finance income related to employee benefits	6.2.2	**(0.6)**	(0.4)
Other interest receivable		**(1.8)**	(1.8)
		(3.5)	(2.9)
Finance costs			
Interest on loans and borrowings		**9.8**	12.0
Imputed interest on deferred term payables		**34.3**	32.5
Amounts reclassified to the Income Statement in respect of hedged cash flows	5.4.3	**(0.8)**	10.2
Foreign exchange losses on US Dollar debt		**0.8**	1.7
Amortisation of facility fees		**2.1**	3.3
Other interest payable		**2.4**	2.9
		48.6	62.6
Net finance costs		**45.1**	59.7

5.2 Net finance costs *continued*

Recognised in equity:

	Notes	2018 £m	2017 £m
Amounts deferred in respect of effective cash flow hedges	5.4.3	**(0.8)**	(1.9)
Total fair value movement on cash flow swaps included in equity		**(0.8)**	(1.9)

Amounts reclassified to the Income Statement in respect of hedged cash flows	5.4.3	**0.8**	(10.2)
Total fair value movement on cash flow swaps transferred from equity		**0.8**	(10.2)

The weighted average interest rates, excluding fees, paid in the year were as follows:

	Group		Company	
	2018 %	2017 %	**2018 %**	2017 %
Bank loans excluding swap interest	**–**	1.7	**–**	1.7
Net swap payment	**–**	5.4	**–**	5.4
Government loans	**1.7**	1.9	**–**	–
Term loans	**–**	4.4	**–**	4.4
Private placement notes	**3.0**	8.2	**3.0**	8.2

5.3 Financial instruments

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.

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:

		Group				Company			
		2018		2017		**2018**		2017	
	Notes	**Fair value £m**	**Carrying value £m**	Fair value £m	Carrying value £m	**Fair value £m**	**Carrying value £m**	Fair value £m	Carrying value £m
Designated as cash flow hedges									
Derivative financial instruments	5.4	**–**	**–**	13.2	13.2	**–**	**–**	13.2	13.2
Loans and receivables									
Cash and cash equivalents	5.1	**982.4**	**982.4**	784.4	784.4	**867.4**	**867.4**	703.8	703.8
Trade and other receivables*		**188.3**	**188.3**	149.8	149.8	**–**	**–**	0.1	0.1
Intercompany loans	3.2	**–**	**–**	–	–	**83.0**	**83.0**	75.8	75.8
Available for sale									
Non-current available for sale financial assets	3.5	**3.1**	**3.1**	3.5	3.5	**–**	**–**	–	–
Current available for sale financial assets	3.5	**0.3**	**0.3**	0.4	0.4	**–**	**–**	–	–
Total financial assets		**1,174.1**	**1,174.1**	951.3	951.3	**950.4**	**950.4**	792.9	792.9

* 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:

		Group				Company			
		2018		2017		**2018**		2017	
	Notes	**Fair value £m**	**Carrying value £m**	Fair value £m	Carrying value £m	**Fair value £m**	**Carrying value £m**	Fair value £m	Carrying value £m
Designated as cash flow hedges									
Derivative financial instruments	5.4	**–**	**–**	5.8	5.8	**–**	**–**	5.8	5.8
Other financial liabilities									
Bank overdrafts	5.1	**–**	**–**	–	–	**71.1**	**71.1**	59.3	59.3
Trade and other payables*		**1,682.7**	**1,692.2**	1,831.7	1,828.7	**10.0**	**10.0**	20.6	20.6
Intercompany payables	3.3	**–**	**–**	–	–	**409.5**	**409.5**	508.7	508.7
Loans and borrowings	5.1	**192.8**	**200.0**	83.6	83.0	**192.8**	**200.0**	62.2	61.6
Total financial liabilities		**1,875.5**	**1,892.2**	1,921.1	1,917.5	**683.4**	**690.6**	656.6	656.0

* 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 2018 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:

									Group
	Notes	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**2018 Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	2017 Total £m
Derivative instruments in designated hedge accounting relationships									
Derivative financial assets	5.4	–	–	–	–	–	13.2	–	13.2
Available for sale									
Non-current available for sale financial assets	3.5	–	–	**3.1**	**3.1**	–	–	3.5	3.5
Current available for sale financial assets	3.5	–	–	**0.3**	**0.3**	–	–	0.4	0.4
Total		–	–	**3.4**	**3.4**	–	13.2	3.9	17.1

									Company
	Notes	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**2018 Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	2017 Total £m
Derivative instruments in designated hedge accounting relationships									
Derivative financial assets	5.4	–	–	–	–	–	13.2	–	13.2
Total		–	–	–	–	–	13.2	–	13.2

Financial liabilities measured subsequent to initial recognition at fair value are as follows:

									Group and Company
	Notes	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**2018 Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	2017 Total £m
Derivative instruments in designated hedge accounting relationships									
Derivative financial liabilities	5.4	–	–	–	–	–	5.8	–	5.8
Total		–	–	–	–	–	5.8	–	5.8

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	**2018 £m**	2017 £m
Loans and receivables			
Impairment of trade receivables	3.2	**7.1**	4.6
Recoveries of doubtful receivables		**(4.7)**	(2.3)
Available for sale financial assets			
Net profit transferred on sale		**(2.1)**	(2.6)
Net impairment of available for sale financial assets		**0.2**	–
Other financial liabilities			
Foreign exchange losses on US Dollar debt		**0.8**	1.7
Transfers from hedged items			
Transfer from equity on currency cash flow hedges	5.4.3	**(0.8)**	(1.7)

5.4 Derivative financial instruments – swaps

At 30 June 2018 the Group had no derivative financial instruments. In previous years the Group 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. Neither the Group nor the Company enters into any derivatives for speculative purposes.

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.

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.

Hedge accounting

The Group 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 are 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 had 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 and Company's derivative financial instruments at 30 June are shown below:

	Group and Company	
Designated as cash flow hedges:	**2018** **£m**	2017 £m
Foreign exchange swap – exchange rate element	–	13.2
Foreign exchange swap – interest rate element	–	–
Current asset	–	13.2
Interest rate swaps – current liability	–	(5.8)
Net derivative financial instruments	–	7.4

5.4.1 Interest rate swaps

The Group and Company entered into derivative transactions in the form of swap arrangements to swap floating rate debt into fixed rate sterling debt, in accordance with the Group and Company Treasury policy outlined in note 5.5, to manage the cash flow risks, related to interest rates, arising from the Group's and Company's sources of finance.

On 22 August 2017 the Group, utilising the break clause, cancelled the £25.0m 2022 interest rate swap at fair value.

After taking into account swap arrangements, the fixed interest rates applicable to the debt were as follows:

£m	**Fixed rate payable %**	**2018 Maturity**	£m	Fixed rate payable %	2017 Maturity
–	–	–	25.0	5.64	2022*

* Included a break clause allowing the Group and the Company or counterparty to cancel the swap on 22 August 2017 at fair value.

During the previous year the Group concluded that future floating rate borrowing was no longer expected to be highly probable and as a result, the Group discontinued prospectively hedge accounting for the interest rate swap. The loss previously recognised on the interest rate swap of £5.8m was reclassified from equity to the Income Statement during the year ended 30 June 2017. This is included in the Statement of Comprehensive Income within the £10.2m reclassified to the Income Statement in that year. In addition, during the year ended 30 June 2017, hedging ineffectiveness of £0.7m was credited to the Consolidated Income Statement.

Further disclosures relating to financial instruments are set out in note 5.3.

5.4 Derivative financial instruments – swaps *continued*

5.4.2 Foreign exchange swaps

The Group and Company entered into derivative transactions in the form of swap arrangements to manage the cash flow risks related to foreign exchange which arose from the Group's sources of finance denominated in US Dollars.

On 23 August 2017 the Group repaid its US $80.0m US private placement notes in full and at 30 June 2018, the Group and Company had no outstanding foreign currency debt (2017: US $80.0m). The swap arrangements entered into to swap all of this debt into fixed rate sterling debt, in accordance with the Group Treasury policy outlined in note 5.5, matured on 23 August 2017.

After taking into account swap arrangements, the fixed interest rates applicable to the debt were as follows:

US $m	**Fixed rate payable %**	**2018 Maturity**	US $m	Fixed rate payable %	2017 Maturity
–	**–**	**–**	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.

5.4.3 Hedge accounting and hedging reserve

Hedge accounting

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 costs 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 costs 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 Group and Company, where the hedged cash flows are still expected to occur. As at 30 June 2018, the Group has no derivative financial instruments. As discussed in note 5.4.1 the cash flows previously hedged by the interest rate swap were transferred to the Income Statement in the year ended 30 June 2017.

		Group and Company	
	Notes	**2018 £m**	2017 £m
Transfers to hedging reserve:			
Gain on interest rate swaps		**–**	0.5
Gain on foreign exchange swaps		**0.8**	1.4
Gain transferred to hedging reserve	5.2	**0.8**	1.9
Transfers from hedging reserve:			
Hedged interest cash flows		**–**	6.8
Hedged foreign currency cash flows		**(0.8)**	(1.7)
Ineffectiveness on interest rate swap transferred to Income Statement		**–**	5.1
(Loss)/gain transferred to Income Statement	5.2	**(0.8)**	10.2

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 48 to 56. 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 of which the most material are: credit risk, liquidity risk, interest rates and the availability of funding at reasonable margins. There is a regular, detailed system for the reporting and forecasting of cash flows from the operations to Group management to ensure that liquidity risks are promptly identified and appropriate mitigating actions are 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.

5.5 Financial risk management *continued*

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 22.2% (2017: 11.3%) of available committed facilities at 30 June 2018. In addition, the Group had £982.4m (2017: £784.4m) of cash and cash equivalents.

The Group was in compliance with its financial covenants at 30 June 2018. 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 a minimum of two years with a target of two to three years. At 30 June 2018, the average maturity of the Group's facilities was 5.5 years (2017: 4.1 years).

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:

	Group		Company	
Expiry date	**2018 £m**	2017 £m	**2018 £m**	2017 £m
In more than two years but not more than five years	**700.0**	700.0	**700.0**	700.0

In addition, the Group had £81.2m (2017: £71.2m) of undrawn uncommitted facilities available at 30 June 2018.

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**
2018							
Loans and borrowings (including bank overdrafts)[1]	5.3.2	**200.0**	**323.5**	**21.3**	**21.3**	**56.0**	**224.9**
Trade and other payables[2]	5.3.2	**1,692.2**	**1,737.8**	**1,158.7**	**373.5**	**198.1**	**7.5**
		1,892.2	**2,061.3**	**1,180.0**	**394.8**	**254.1**	**232.4**
2017							
Loans and borrowings (including bank overdrafts)[1]	5.3.2	83.0	127.3	82.8	12.3	32.2	–
Trade and other payables[2]	5.3.2	1,828.7	1,887.5	1,260.0	287.4	320.6	19.5
		1,911.7	2,014.8	1,342.8	299.7	352.8	19.5

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**
2018							
Loans and borrowings (including bank overdrafts)[1]	5.3.2	**271.1**	**394.6**	**92.4**	**21.3**	**56.0**	**224.9**
Trade and other payables[2]	5.3.2	**10.0**	**10.0**	**10.0**	**–**	**–**	**–**
Intercompany payables	5.3.2	**409.5**	**409.5**	**409.5**	**–**	**–**	**–**
		690.6	**814.1**	**511.9**	**21.3**	**56.0**	**224.9**
2017							
Loans and borrowings (including bank overdrafts)[1]	5.3.2	120.9	164.8	121.9	12.3	30.6	–
Trade and other payables[2]	5.3.2	20.6	20.6	20.6	–	–	–
Intercompany payables	5.3.2	508.7	508.7	508.7	–	–	–
		650.2	694.1	651.2	12.3	30.6	–

[1] The disclosure of contractual cash flows in the preceding tables includes interest calculated on the basis that the Group's £700.0m revolving credit facility is fully drawn down. At 30 June 2018 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.

5.5 Financial risk management *continued*

5.5.1 Liquidity risk *continued*

The Group had no derivative financial instruments at 30 June 2018. At 30 June 2017 the expected undiscounted cash flows of the Group's and the Company's derivative financial instruments, by remaining contractual maturity, 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**
2017							
Financial assets							
Gross settled derivatives:							
Receive leg	5.4	13.2	63.8	63.8	–	–	–
Pay leg		–	(50.3)	(50.3)	–	–	–
Financial liabilities							
Net settled derivatives	5.4	(5.8)	(5.9)	(1.3)	(1.2)	(3.4)	–
	5.4	7.4	7.6	12.2	(1.2)	(3.4)	–

5.5.2 Market risk (price risk)

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 derivatives and fixed rate debt instruments.

The Group's interest cover ratio is above 15 times and therefore the current policy is to hedge a proportion of the forecast RCF drawings based on the Group's three year plan. Under this policy, no interest rate hedges are currently required.

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**
2018				
Financial liabilities	**–**	**200.0**	**1,692.2**	**1,892.2**
Financial liability exposure to interest rate risk	**–**	**200.0**	**1,692.2**	**1,892.2**
2017				
Financial liabilities (excluding derivatives)	16.8	66.2	1,828.7	1,911.7
Impact of interest rate swaps	(25.0)	25.0	–	–
Financial liability exposure to interest rate risk	(8.2)	91.2	1,828.7	1,911.7

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**
2018				
Financial liabilities	**480.6**	**200.0**	**10.0**	**690.6**
Financial liability exposure to interest rate risk	**480.6**	**200.0**	**10.0**	**690.6**
2017				
Financial liabilities (excluding derivatives)	568.0	61.6	20.6	650.2
Impact of interest rate swaps	(25.0)	25.0	–	–
Financial liability exposure to interest rate risk	543.0	86.6	20.6	650.2

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 2018 was 1.6% (2017: 3.7%).

Sterling US private placement notes of £200.0m (2017: £nil) were issued on 22 August 2017 with a fixed coupon of 2.77% and a ten year maturity. These fixed rate notes expose the Group to fair value interest rate risk. At 30 June 2017 the Group had US Dollar denominated private placement notes of £61.6m, arranged at fixed interest rates which 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 2017 was 8.2% with, at 30 June 2017, a weighted average period of 0.2 years for which the rate was fixed.

5.5 Financial risk management *continued*

5.5.2 Market risk (price risk) *continued*

Sensitivity analysis:

In the year ended 30 June 2018, if UK interest rates had been 0.5% higher/lower (considered to be a reasonably possible change) and all other variables were held constant, the Group's pre-tax profit would increase/decrease by £1.6m (2017: £0.9m), the Group's post-tax profit would increase/decrease by £1.3m (2017: £0.7m) and the Group's equity would increase/decrease by £1.3m (2017: £0.7m).

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. Included within trade and other receivables is £83.5m (2017: £64.1m) due from Homes England 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. In addition the Group has £982.4m (2017: £784.4m) on deposit with seven financial institutions. 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.

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 2018 was £152.3m (2017: £140.0m) 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 2018, the Company was exposed to £83.0m (2017: £75.8m) of credit risk in relation to intercompany loans which are considered to be fully recoverable, as well as financial guarantees, performance bonds and the bank borrowings of subsidiary undertakings. 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 5.3.2.

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 Group's approach to the management of the principal operational risks of the business are detailed on pages 48 to 56.

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

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

Allotted and issued ordinary shares	2018 £m	2017 £m
10p each fully paid: 1,012,722,682 (2017: 1,007,899,274) ordinary shares	**101.3**	100.8

Options over the Company's shares granted during the year	2018 Number	2017 Number
Options granted:		
LTPP	**2,223,717**	2,594,923
Sharesave	**2,755,257**	2,671,967
DBP	**567,557**	520,442
	5,546,531	5,787,332

Allotment of shares during the year	2018 Number	2017 Number
At 1 July	**1,007,899,274**	1,003,607,066
Issued to satisfy early exercises under Sharesave schemes	**50,846**	115,153
Issued to satisfy exercises under matured Sharesave schemes	**2,567,996**	1,297,729
Issued to satisfy vesting of LTPP awards	**1,711,888**	2,126,790
Issued to satisfy exercises under the DBP	**477,912**	712,296
Issued to the EBT to satisfy future exercises	**14,766**	40,240
At 30 June	**1,012,722,682**	1,007,899,274

5.6.2 Own shares reserve

The own shares reserve represents the cost of shares in Barratt Developments PLC purchased in the market or issued by the Company and held by the Barratt Developments Employee Benefit Trust on behalf of the Company in order to satisfy options and awards that have been granted under the Barratt Developments PLC Executive and Senior Management Share Option Plans, the LTPP and the DBP. Other than shares in the EBT allocated to share schemes which attract dividend equivalents, 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.

	2018	2017
Ordinary shares in the Company held in the EBT (number)	**931,605**	1,170,233
Market value of shares held in the EBT at 515.4p (2017: 563.5p) per share	**£4,801,492**	£6,594,263

During the year the EBT purchased 483,379 shares in the market and disposed of 736,773 shares in settlement of exercises under the Senior Management Share Option Plan 2009/10, the Executive Share Option Scheme, the DBP and the SMIS. A further 2,204,566 shares were issued to the EBT at par, of which 2,189,800 were used to satisfy the vesting of the 2014 LTPP and the 2014 DBP.

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 within the Remuneration report on pages 89 to 111.

A summary of key management remuneration is as follows:

	2018 £m	2017 £m
Salaries and fees (including pension compensation)	**2.7**	2.5
Social security costs[1]	**1.3**	1.2
Performance bonus	**2.4**	1.8
Benefits	**0.1**	0.1
Share-based payments[2]	**2.4**	1.5
	8.9	7.1

1 Excluded from the Executive Directors and Non-Executive Directors single figure of remuneration tables on page 101.

2 IFRS 2 'Share-Based Payment' charge attributable to key management.

Total employee numbers and costs are as follows:

	Group		Company	
	2018 Number	2017 Number	2018 Number	2017 Number
Average employee numbers (excluding sub-contractors, including Directors):				
Housebuilding	**6,293**	6,191	**342**	314
Commercial developments	**22**	23	**–**	–

The majority of the costs of the Company's employees are charged to other Group companies.

		Group		Company	
	Notes	2018 £m	2017 £m	2018 £m	2017 £m
Employee costs (including Directors):					
Wages and salaries including bonuses		**328.8**	313.3	**32.7**	26.6
Redundancy costs		**0.6**	0.6	**0.1**	0.2
Social security costs		**40.7**	40.5	**6.2**	4.9
Other pension costs	6.2	**9.4**	8.2	**1.0**	0.9
Share-based payments	6.3	**11.0**	9.1	**6.3**	5.1
Total employee costs	2.3	**390.5**	371.7	**46.3**	37.7
Less charged to other Group companies				**(37.1)**	(28.0)
Company employee costs after recharges				**9.2**	9.7

6.2 Retirement benefit obligations

The Group operates defined contribution and defined benefit pension schemes.

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.

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.

The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as reduced by the fair value of the scheme assets.

6.2 Retirement benefit obligations *continued*

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 estimations of 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 liability/asset may differ from that included in these Financial Statements.

The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out in note 6.2.2.

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.

	2018 £m	2017 £m
Contributions during the year		
Group defined contribution schemes Consolidated Income Statement charge	**9.4**	8.2

At the balance sheet date, there were outstanding contributions of £1.6m (2017: £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 2016. The results of this valuation have been updated to 30 June 2018 by a qualified independent actuary. The Group agreed with the Trustees of the Scheme to make contributions to the Scheme of £14.5m per annum from 1 July 2017 until 31 March 2020 (with the increase backdated to 1 April 2017 paid in July 2017) 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 £1.2m (2017: £2.0m).

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.

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	**2018**	2017
Weighted average assumptions to determine benefit obligations		
Discount rate	**2.91%**	2.60%
Rate of price inflation	**3.30%**	3.21%
Weighted average assumptions to determine net cost		
Discount rate	**2.60%**	2.90%
Rate of price inflation	**3.21%**	2.80%

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.

6.2 Retirement benefit obligations *continued*

6.2.2 Defined benefit scheme *continued*

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 1953 (life expectancy at age 65)	23.2 years	25.1 years
Non-retired member born in 1973 (life expectancy at age 65)	24.6 years	26.6 years

The base mortality assumptions are based upon the SAPS (S2PA)(2017: S2PA) mortality tables with an adjustment to allow for the Scheme members being treated as if they are 1.5 years younger than the population of the S2PA mortality tables. Allowance for future increases in life expectancy is made in line with the CMI 2017 projections with a long term trend of 1.25% per annum (2017: CMI 2016 projections with a long term trend of 1.25% per annum).

The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out below:

Assumptions	**Change in assumption**	**Increase in Scheme liabilities £m**	**Increase in Scheme liabilities %**
Discount rate	Decrease by 0.1%	7.1	2.0
Rate of inflation	Increase by 0.1%	3.3	0.9
Life expectancy	Increase by 1 year	15.0	4.2

The changes in the actuarial assumptions used in the calculation of sensitivities were selected on the basis that they are considered reasonably possible changes, and they are the same as those used in the prior year.

The amounts recognised in the Consolidated Income Statement were as follows:

	2018 £m	2017 £m
Interest cost	**9.9**	11.1
Interest income	**(10.5)**	(11.5)
Total pension income recognised in net finance costs in the Consolidated Income Statement	**(0.6)**	(0.4)
Total pension income recognised in the Consolidated Income Statement (note 5.2)	**(0.6)**	(0.4)

The amounts recognised in the Group and Company Statements of Comprehensive Income were as follows:

	2018 £m	2017 £m
Expected return less actual return on Scheme assets	**(11.1)**	(20.1)
(Gain)/loss arising from changes in the assumptions underlying the present value of benefit obligations	**(18.1)**	24.5
Total pension (income)/cost recognised in the Group and Company Statements of Comprehensive Income	**(29.2)**	4.4

The amount included in the Group and Company Balance Sheets arising from obligations in respect of the Scheme is as follows:

	2018 £m	2017 £m
Present value of funded obligations	**357.3**	397.2
Fair value of Scheme assets	**(416.0)**	(410.8)
Surplus for funded Scheme/net asset recognised in the Group and Company Balance Sheets at 30 June	**(58.7)**	(13.6)

	2018 £m	2017 £m
Net asset for defined benefit obligations at 1 July	**(13.6)**	(8.1)
Contributions paid to the Scheme	**(15.3)**	(9.5)
Income recognised in the Consolidated Income Statement (note 5.2)	**(0.6)**	(0.4)
Amounts recognised in the Group and Company Statements of Comprehensive Income	**(29.2)**	4.4
Net asset for defined benefit obligations at 30 June	**(58.7)**	(13.6)

A deferred tax liability of £11.1m (2017: £2.6m) has been recognised in the Group and Company Balance Sheets in relation to the pension asset (note 2.6.3).

Movements in the present value of defined benefit obligations were as follows:

	2018 £m	2017 £m
Present value of benefit obligations at 1 July	**397.2**	405.4
Interest cost	**9.9**	11.1
Actuarial (gain)/loss	**(18.1)**	24.5
Benefits paid from Scheme	**(31.7)**	(43.8)
Present value of benefit obligations at 30 June	**357.3**	397.2

6.2 Retirement benefit obligations *continued*

6.2.2 Defined benefit scheme *continued*

Movements in the fair value of Scheme assets were as follows:

	2018 £m	2017 £m
Fair value of Scheme assets at 1 July	**410.8**	413.5
Interest income	**10.5**	11.5
Actuarial gain on Scheme assets	**11.1**	20.1
Employer contributions	**15.3**	9.5
Benefits paid from Scheme	**(31.7)**	(43.8)
Fair value of Scheme assets at 30 June	**416.0**	410.8

The analysis of Scheme assets was as follows:

	2018		2017	
	£m	%	£m	%
Quoted equity securities	**61.2**	**14.7**	102.4	24.9
Debt securities	**349.2**	**83.9**	307.1	74.8
Other	**5.6**	**1.4**	1.3	0.3
Total	**416.0**	**100.0**	410.8	100.0

The fair values of the Scheme assets in the above table are measured in accordance with level 1 as defined in note 5.3.3.

The actual return on Scheme assets was as follows:

	2018 £m	2017 £m
Actual return on Scheme assets	**21.6**	31.6

The expected employer contribution to the Scheme in the year ending 30 June 2019 is £14.5m.

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.

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:

	2018 £m	2017 £m
Equity-settled share-based payments:		
Long Term Performance Plan	**4.8**	4.1
Savings-Related Share Option Scheme	**1.1**	1.7
Senior Management Incentive Scheme	**2.8**	2.0
CFO Scheme	**–**	(0.2)
Deferred Bonus Plan	**2.3**	1.5
	11.0	9.1

As at 30 June 2018, an accrual of £2.7m (2017: £3.3m) 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 2018, the following options were outstanding:

Date of grant	Option price pence	2018 Number	Not exercisable after
Senior Management Share Option Plan			
10 December 2009 (approved[1])	118	**101,303**	9 December 2019
10 December 2009 (unapproved[1])	121	**62,382**	9 December 2019
Total Senior Management Share Option Plan options		**163,685**	
Savings-Related Share Option Scheme			
27 March 2013 – 5 year plan	205	**62,746**	30 November 2018
30 April 2014 – 5 year plan	349	**291,687**	31 December 2019
29 April 2015 – 3 year plan	447	**1,537,954**	31 December 2018
29 April 2015 – 5 year plan	447	**161,506**	31 December 2020
27 April 2016 – 3 year plan	482	**1,148,181**	31 December 2019
27 April 2016 – 5 year plan	482	**94,321**	31 December 2021
24 April 2017 – 3 year plan	464	**2,062,583**	31 December 2020
24 April 2017 – 5 year plan	464	**229,256**	31 December 2022
20 April 2018 – 3 year plan	449	**2,492,664**	31 December 2021
20 April 2018 – 5 year plan	449	**239,324**	31 December 2023
Total Savings-Related Share Option Scheme options		**8,320,222**	
Long Term Performance Plan			
19 October 2015 – Executive	–	**930,118**	–
14 December 2016 – Executive	–	**1,404,671**	–
24 November 2017 – Executive	–	**1,233,928**	–
19 October 2015 – Senior Management	–	**497,999**	–
14 December 2016 – Senior Management	–	**847,212**	–
24 November 2017 and 1 April 2018 – Senior Management	–	**975,213**	–
Total Long Term Performance Plan awards		**5,889,141**	
Deferred Bonus Plan[2]			
19 October 2015	–	**203,775**	–
17 October 2016	–	**463,241**	–
17 October 2017	–	**539,899**	–
Total Deferred Bonus Plan awards		**1,206,915**	
Total		**15,579,963**	

[1] The Senior Management Share Option Plan is 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.

[2] For awards prior to November 2015, the Deferred Bonus Plan utilises the rules of the Group's Co-Investment Plan.

6.3.3 Further information relating to the share-based payment schemes

Long Term Performance Plan and the Executive Share Option Scheme

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 including total shareholder return, earnings per share and return on capital employed. Further details can be found in the Remuneration report on pages 100 to 105.

Deferred Bonus Plan

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 are held in accordance with the DBP as approved by the shareholders at the 2015 AGM. The DBP is currently utilised to hold shares awarded in respect of any bonus earned in excess of 100% of base salary. Further details can be found on page 103.

Savings-Related Share Option Scheme

Under the Sharesave, participants are required to make monthly contributions to a 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.

6.3 Share-based payments *continued*

Senior Management Share Option Plan

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

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 were aligned with those of other Executives. Neil Cooper resigned from the Group on 19 January 2017 and details of how Neil Cooper's awards were treated following his resignation can be found in the 2017 Annual Report.

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:

	2018		2017	
Long Term Performance Plan	**Weighted average exercise price in pence**	**Number of award units**	Weighted average exercise price in pence	Number of award units
Outstanding at 1 July	**–**	**5,609,544**	–	6,050,239
Forfeited during the year	**–**	**(232,232)**	–	(908,828)
Exercised during the year	**–**	**(1,711,888)**	–	(2,126,790)
Granted during the year	**–**	**2,223,717**	–	2,594,923
Outstanding at 30 June	**–**	**5,889,141**	–	5,609,544
Exercisable at 30 June	**–**	**–**	–	–

	2018		2017	
Executive Share Option Scheme	**Weighted average exercise price in pence**	**Number of options**	Weighted average exercise price in pence	Number of options
Outstanding at 1 July	**121**	**216,406**	121	451,482
Exercised during the year	**121**	**(216,406)**	121	(235,076)
Outstanding at 30 June	**–**	**–**	121	216,406
Exercisable at 30 June	**–**	**–**	121	216,406

	2018		2017	
Senior Management Share Option Plan	**Weighted average exercise price in pence**	**Number of options**	Weighted average exercise price in pence	Number of options
Outstanding at 1 July	**119**	**225,005**	119	358,930
Forfeited during the year	**–**	**–**	118	(5,515)
Exercised during the year	**118**	**(61,320)**	118	(128,410)
Outstanding at 30 June	**119**	**163,685**	119	225,005
Exercisable at 30 June	**119**	**163,685**	119	225,005

	2018		2017	
Savings-Related Share Option Scheme	**Weighted average exercise price in pence**	**Number of options**	Weighted average exercise price in pence	Number of options
Outstanding at 1 July	**412**	**8,948,114**	355	8,673,281
Forfeited during the year	**459**	**(764,307)**	409	(982,493)
Exercised during the year	**311**	**(2,618,842)**	158	(1,414,641)
Granted during the year	**449**	**2,755,257**	464	2,671,967
Outstanding at 30 June	**452**	**8,320,222**	412	8,948,114
Exercisable at 30 June	**205**	**62,746**	125	349,440

6.3 Share-based payments *continued*

6.3.4 Number and weighted average exercise price of outstanding share-based payments *continued*

	2018		2017	
Deferred Bonus Plan	**Weighted average exercise price in pence**	**Number of award units**	Weighted average exercise price in pence	Number of award units
Outstanding at 1 July	**–**	**1,224,914**	–	1,630,416
Forfeited during the year	**–**	**(93,566)**	–	(213,648)
Exercised during the year	**–**	**(491,990)**	–	(712,296)
Granted during the year	**–**	**567,557**	–	520,442
Outstanding at 30 June	**–**	**1,206,915**	–	1,224,914
Exercisable at 30 June	**–**	**–**	–	–

	2018		2017	
Senior Management Incentive Scheme	**Weighted average exercise price in pence**	**Number of award units**	Weighted average exercise price in pence	Number of award units
Outstanding at 1 July	**–**	**533,473**	–	1,099,149
Forfeited during the year	**–**	**(45,553)**	–	(21,953)
Exercised during the year	**–**	**(487,920)**	–	(543,723)
Outstanding at 30 June	**–**	**–**	–	533,473
Exercisable at 30 June	**–**	**–**	–	–

	2018		2017	
CFO Scheme	**Weighted average exercise price in pence**	**Number of award units**	Weighted average exercise price in pence	Number of award units
Outstanding at 1 July	**–**	**–**	10	121,880
Forfeited during the year	**–**	**–**	10	(76,175)
Exercised during the year	**–**	**–**	10	(45,705)
Outstanding at 30 June	**–**	**–**	–	–
Exercisable at 30 June	**–**	**–**	–	–

The weighted average share price, at the date of exercise, of share options exercised during the year was 635.7p (2017: 502.1p). The weighted average life for all schemes outstanding at the end of the year was 1.9 years (2017: 1.5 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 2018 was 87.1p (2017: 126.4p) 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 2018 was 632.8p (2017: 372.3p). The awards have been valued using a Black-Scholes model.

Deferred Bonus Plan

The weighted average fair value of the options granted during 2018 was 679.0p (2017: 384.0p) per award. The awards have been valued using a Black-Scholes model.

Inputs used to determine fair value of options

The weighted average inputs to the Black-Scholes models were as follows:

			Grants 2018			Grants 2017
	Sharesave	**LTPP**	**DBP**	Sharesave	LTPP	DBP
Average share price	**560p**	**634p**	**680p**	588p	455p	469p
Average exercise price	**449p**	**–**	**–**	464p	–	–
Expected volatility	**29.2%**	**29.2%**	**29.2%**	36.4%	36.4%	36.4%
Expected life	**3.0 years**	**3.0 years**	**3.0 years**	3.0 years	3.0 years	3.0 years
Risk free interest rate	**0.90%**	**0.50%**	**0.53%**	0.11%	0.10%	0.17%
Expected dividends	**8.13%**	**–**	**–**	6.59%	6.59%	6.59%

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 2018, the Group and Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

				Group				Company
	Land and buildings £m	**2018 Other £m**	Land and buildings £m	2017 Other £m	**Land and buildings £m**	**2018 Other £m**	Land and buildings £m	2017 Other £m
Within one year	**13.1**	**5.2**	16.9	6.7	**0.5**	**0.5**	0.1	0.5
More than one year and no later than five years	**26.1**	**6.1**	27.3	6.4	**2.6**	**0.4**	–	0.4
In five years or more	**18.6**	**–**	30.2	–	**2.5**	**–**	–	–
	57.8	**11.3**	74.4	13.1	**5.6**	**0.9**	0.1	0.9

Operating lease commitments principally represent rentals payable for certain office properties and motor vehicles.

Group motor vehicle leases have an average term of 2.4 years (2017: 1.8 years) to expiry. Group property leases have an average term of 6.3 years (2017: 3.5 years) to expiry.

Company motor vehicle leases have an average term of 2.1 years (2017: 2.1 years) to expiry. Company property leases have an average term of 8.8 years (2017: 0.5 years) to expiry.

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.

			Group
	Notes	**2018 £m**	2017 £m
Property rental income	2.3	**2.0**	0.8
Carrying value of leased properties:			
Stock properties		**1.1**	4.0
Land with rental units		**–**	0.3
		1.1	4.3
Rent receivable during remaining lease period:			
Within one year		**1.3**	1.3
More than one year and no later than five years		**2.3**	0.9
In five years or more		**2.2**	1.7
		5.8	3.9
		2018 Years	2017 Years
Average lease term			
Stock properties		**8.7**	6.7
Land with rental units		**–**	0.8

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 £452.7m (2017: £464.1m), and confirm that at the date of these Financial Statements the possibility of cash outflow is considered minimal and no provision is required.

As previously disclosed in the Group's financial statements, following correspondence with an industry wide final salary pension scheme, there is a risk of an obligation arising in respect of pension scheme funding, pursuant to section 75 of the Pensions Act 1995, for employees of a subsidiary who left the Group following disposal of its business and assets.

The Group received notification in January 2018 that no liability exists in respect of certain employees under the scheme, however previous correspondence received in November 2017 stated that the scheme actuary was not in a position to calculate any remaining section 75 debts due to the complexities of applying the relevant legislation to the scheme. In July 2018, the Trustees issued their consultation response confirming a proposed methodology for calculating the section 75 obligation and that debt notices would be issued by June 2019. Disclosure on this matter is therefore made in accordance with note 7.2.3.

The Directors consider that whilst it is increasingly probable that a liability could result in the future, at present there remain uncertainties underlying any such calculation. Given the most recent communication with the Trustees a provision has been recognised in relation to this matter as at 30 June 2018.

Following the Grenfell Tower tragedy, the Government commissioned an Independent Review of Building Regulations and Fire Safety. It also established a Building Safety Programme to cover existing high-rise residential buildings over 18 metres. The Group has undertaken a review of all of its current and legacy buildings where it has used cladding. Approved Inspectors signed off all of our buildings, including the cladding used, as compliant with the relevant Building Regulations during construction and on completion. While we are satisfied that we currently have no liability in respect of cladding, we have made a £4.0m provision for the work we have undertaken to carry out at one site to remove and replace cladding in line with our commitment to put our customers first. The Financial Statements have been prepared based on currently available information, however, future changes to Building Regulations and Fire Safety Regulations may occur as a result of the Government's review, the impact of which is currently unknown.

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 £33.2m at 30 June 2018 (2017: £62.5m). The Group has also provided principal guarantees of £9.0m (2017: £9.0m) and cost and interest overrun guarantees in relation to the borrowings of a number of the Group's London joint ventures. At 30 June 2018, no cost or interest overruns had been incurred (2017: £nil). The Group's maximum exposure under these cost and interest overrun guarantees is estimated at £18.8m as at 30 June 2018 (2017: £18.1m).

At 30 June 2018, the Group has an obligation to repay £0.9m (2017: £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 2018.

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.

There are no contingent liabilities in relation to legal claims at 30 June 2018 other than as disclosed in note 7.2.1.

Notes to the Financial Statements Year ended 30 June 2018 continued

7.3 Related party transactions

7.3.1 Directors of Barratt Developments PLC and remuneration of key personnel

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.

Disclosures related to the remuneration of key personnel as defined in IAS 24 'Related Party Disclosures' are given in note 6.1.

There have been no related party transactions as defined in Listing Rule 11.1.5R for the year ended 30 June 2018.

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 2018 totalled £83.0m (2017: £75.8m).

During the year ended 30 June 2018, the Company made management and other charges to subsidiaries of £75.8m (2017: £62.7m) and paid net interest on Group loans from subsidiaries of £1.9m (2017: £9.4m).

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 £16.0m (2017: £10.1m) and £1.6m (2017: £1.8m) respectively. During the year the Group also purchased land and part exchange properties from joint ventures for £2.0m. 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 £41.8m (2017: £85.1m) from its joint ventures. The amount of outstanding loans and interest due to the Group from its joint ventures at 30 June 2018 is disclosed in note 4.3.1. The amount of other outstanding payables to the Group from its joint ventures at 30 June 2018 totalled £29.5m (2017: £9.1m).

The amount of outstanding loans and other amounts due from the Group to its joint ventures totalled £2.2m (2017: £1.2m).

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 associate

The amount of outstanding loans due to the Group from its associate at 30 June 2018 was £nil (2017: £nil). There were no other amounts outstanding to the Group from its associate as at 30 June 2018.

The Group has no contingent liabilities relating to its associate.

7.4 Group subsidiary undertakings

The entities listed below, and on the following pages, are subsidiaries of the Company or Group. All are registered in England and Wales or Scotland with the exception of SQ Holdings Limited which is registered in Guernsey. Unless otherwise stated, the results of these entities are consolidated within these Financial Statements.

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Acre Developments Limited	2	A	Ordinary	100%
Advance Housing Limited	1	A	Ordinary	100%
Ambrose Builders Limited	1	A	Ordinary	100%
Barratt Bristol Limited	1		Ordinary	100%
Barratt Central Limited	1		Ordinary	100%
Barratt Chester Limited	1	A	Ordinary	100%
Barratt Commercial Limited	1		Ordinary	100%
Barratt Construction (Southern) Limited	1	A	Ordinary	100%
Barratt Corporate Secretarial Services Limited	1		Ordinary	100%
Barratt Developments (International) Limited	1		Ordinary	100%
Barratt Dormant (Atlantic Quay) Limited	1	A	Ordinary	100%
Barratt Dormant (Blackpool) Limited	1	A	Ordinary	100%
Barratt Dormant (Capella) Limited	1	A	Ordinary	100%
Barratt Dormant (Cheadle Hulme) Limited	1	A	Ordinary	100%
Barratt Dormant (Harlow) Limited	1	A	Ordinary	100%
Barratt Dormant (Riverside Exchange Sheffield C2) Limited	1	A	Ordinary	100%
Barratt Dormant (Riverside Exchange Sheffield L/M) Limited	1	A	Ordinary	100%
Barratt Dormant (Riverside Quarter) Limited	1	A	Ordinary	100%
Barratt Dormant (Riverside Sheffield Building C1) Limited	1	A	Ordinary	100%
Barratt Dormant (Rugby) Limited	1	A	Ordinary	100%
Barratt Dormant (Southampton) Limited	1	A	Ordinary	100%
Barratt Dormant (Thetford) Limited	1	A	Ordinary	100%

7.4 Group subsidiary undertakings *continued*

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Barratt Dormant (Tyers Bros. Oakham) Limited	1	A	Ordinary	100%
Barratt Dormant (Walton) Limited	1	A	Ordinary	100%
Barratt Dormant (WB Construction) Limited	1	A	Ordinary	100%
Barratt Dormant (WB Developments) Limited	1	A	Ordinary	100%
Barratt Dormant (WB Properties Developments) Limited	1	A	Ordinary	100%
Barratt Dormant (WB Properties Northern) Limited	1	A	Ordinary	100%
Barratt East Anglia Limited	1	A	Ordinary	100%
Barratt East Midlands Limited	1		Ordinary	100%
Barratt East Scotland Limited	45	A	Ordinary	100%
Barratt Eastern Counties Limited	1	A	Ordinary	100%
Barratt Edinburgh Limited	2	A	Ordinary	100%
Barratt Evolution Limited	1	A	Ordinary	100%
Barratt Falkirk Limited	2	A	Ordinary	100%
Barratt Leeds Limited	1		Ordinary	100%
Barratt London Investments Limited	1	A	Ordinary	100%
Barratt London Limited	1		Ordinary	100%
Barratt Manchester Limited	1	A	Ordinary	100%
Barratt Newcastle Limited	1	A	Ordinary	100%
Barratt North London Limited	1		Ordinary	100%
Barratt Northampton Limited	1		Ordinary	100%
Barratt Northern Limited	1		Ordinary	100%
Barratt Norwich Limited	1	A	Ordinary	100%
Barratt Pension Trustee Limited	1		Ordinary	100%
Barratt Poppleton Limited	1	A	Ordinary	100%
Barratt Preston Limited	1	A	Ordinary	100%
Barratt Properties Limited	1	A	Ordinary	100%
Barratt Residential Asset Management Limited	1	A	Ordinary	100%
Barratt Scottish Holdings Limited	2	A	Ordinary	100%
Barratt South London Limited	1		Ordinary	100%
Barratt South Wales Limited	1		Ordinary	100%
Barratt South West Limited	1	A	Ordinary	100%
Barratt Southern Counties Limited	1		Ordinary	100%
Barratt Southern Limited	1		Ordinary	100%
Barratt Southern Properties Limited	1	A	Ordinary	100%
Barratt Special Projects Limited	1	A	Ordinary	100%
Barratt St Mary's Limited	1	A	Ordinary	100%
Barratt St Paul's Limited	1	A	Ordinary	100%
Barratt Sutton Coldfield Limited	1	A	Ordinary	100%
Barratt Trade And Property Company Limited	2	A	Ordinary	100%
Barratt Urban Construction (East London) Limited	1	A	Ordinary	100%
Barratt Urban Construction (Northern) Limited	1	A	Ordinary	100%
Barratt Urban Construction (Scotland) Limited	2	A	Ordinary	100%
Barratt West Midlands Limited	1		Ordinary	100%
Barratt West Scotland Limited	2		Ordinary	100%
Barratt Woking Limited	1	A	Ordinary	100%
Barratt York Limited	1		Ordinary	100%
Bart 225 Limited	1	A	Ordinary	100%
Base Regeneration LLP	1	A	N/A	N/A
Base East Central Rochdale LLP	1	A	N/A	N/A
Base Hattersley LLP	1	A	N/A	N/A
Base Werneth Oldham LLP	1	A	N/A	N/A
Basildon Regeneration (Barratt Wilson Bowden) Limited	1	A	Ordinary	100%
BDW (F.R.) Limited	1	A	Ordinary	100%
BDW (F.R. Commercial) Limited	1	A	Ordinary	100%
BDW North Scotland Limited	3		Ordinary	100%
BDW Trading Limited	1		Ordinary	100%
BLLQ LLP	44	A	N/A	N/A
Bradgate Development Services Limited	1	A	Ordinary	100%
Broad Oak Homes Limited	1	A	Ordinary	100%
C V (Ward) Limited	1	A	Ordinary	100%
Cameoplot Limited	1	A	Ordinary	100%
CHOQS 429 Limited	1	A	Ordinary	100%

Notes to the Financial Statements Year ended 30 June 2018 continued

7.4 Group subsidiary undertakings *continued*

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Crossbourne Construction Limited	1	A	Ordinary	100%
David Wilson Estates Limited	1	A	Ordinary	100%
David Wilson Homes (Anglia) Limited	1	A	Ordinary	100%
David Wilson Homes (East Midlands) Limited	1	A	Ordinary	100%
David Wilson Homes (Home Counties) Limited	1	A	Ordinary	100%
David Wilson Homes (North Midlands) Limited	1	A	Ordinary	100%
David Wilson Homes (Northern) Limited	1	A	Ordinary	100%
David Wilson Homes (South Midlands) Limited	1	A	Ordinary	100%
David Wilson Homes (Southern) Limited	1	A	Ordinary	100%
David Wilson Homes (Western) Limited	1	A	Ordinary	100%
David Wilson Homes Land (No 9) Limited	1	A	Ordinary	100%
David Wilson Homes Land (No 10) Limited	1	A	Ordinary	100%
David Wilson Homes Land (No 11) Limited	1	A	Ordinary	100%
David Wilson Homes Land (No 12) Limited	1	A	Ordinary	100%
David Wilson Homes Land (No 13) Limited	1	A	Ordinary	100%
David Wilson Homes Land (No 14) Limited	1	A	Ordinary	100%
David Wilson Homes Land (No 15) Limited	1	A	Ordinary	100%
David Wilson Homes Limited	1	A	Ordinary	100%
David Wilson Homes Services Limited	1	A	Ordinary	100%
David Wilson Homes Yorkshire Limited	1	A	Ordinary	100%
Decorfresh Projects Limited	1	A	Ordinary	100%
Dicconson Holdings Limited	1	A	Ordinary	100%
E. Barker Limited	1	A	Ordinary	100%
E. Geary & Son Limited	1	A	Ordinary	100%
English Oak Homes Limited	1		Ordinary	100%
Francis (Springmeadows) Limited	1	A	Ordinary	100%
Frenchay Developments Limited	1	A	Ordinary	100%
G.D. Thorner (Construction) Limited	1	A	Ordinary	100%
G.D. Thorner (Holdings) Limited	1	A	Ordinary	100%
Glasgow Trust Limited	2	A	Ordinary	100%
Hartswood House Limited	1		Ordinary	100%
Hawkstone (South West) Limited	1	A	Ordinary	100%
Heartland Development Company Limited	1	A	Ordinary	100%
Idle Works Limited	1	A	Ordinary	100%
J. G. Parker Limited	1	A	Ordinary	100%
James Harrison (Contracts) Limited	2	A	Ordinary	100%
Janellis (No. 2) Limited	1	A	Ordinary	100%
Kealoha 11 Limited	1	A	Ordinary	100%
Kealoha Limited	1	A	Ordinary	100%
Kingsoak Homes Limited	1		Ordinary	100%
Knightsdale Homes Limited	1		Ordinary	100%
Lindmere Construction Limited	1	A	Ordinary	100%
Marple Development Company Limited	1	A	Ordinary	100%
Meridian Press Limited	1	A	Ordinary	100%
Milton Park Homes Limited	1	A	Ordinary	100%
Mountdale Homes Limited	1		Ordinary	100%
Norfolk Garden Estates Limited	1	A	Ordinary	100%
North West Land Developments Limited	1	A	Ordinary	100%
Redbourne Builders Limited	1	A	Ordinary	100%
Roland Bardsley Homes Limited	1	A	Ordinary	100%
Scothomes Limited	2	A	Ordinary	100%
Scottish Homes Investment Company, Limited	2	A	Ordinary	100%
Skydream Property Co. Limited	1	A	Ordinary	100%
SQ Holdings Limited	4	A	Ordinary	90%
Squires Bridge Homes Limited	1	A	Ordinary	100%
Squires Bridge Limited	1	A	Ordinary	100%
Swift Properties Limited	1	A	Ordinary	100%
The French House Limited	1	A	Ordinary	100%
The Tin Hat Regeneration Partnership LLP	1	A	N/A	N/A
Tomnik Limited	1	A	Ordinary	100%
Trencherwood Commercial Limited	1	A	Ordinary	100%
Trencherwood Construction Limited	1	A	Ordinary	100%

7.4 Group subsidiary undertakings *continued*

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Trencherwood Developments Limited	1	A	Ordinary	100%
Trencherwood Estates Limited	1	A	Ordinary	100%
Trencherwood Group Services Limited	1	A	Ordinary	100%
Trencherwood Homes (Holdings) Limited	1	A	Ordinary	100%
Trencherwood Homes (Midlands) Limited	1	A	Ordinary	100%
Trencherwood Homes (South Western) Limited	1	A	Ordinary	100%
Trencherwood Homes (Southern) Limited	1	A	Ordinary	100%
Trencherwood Homes Limited	1	A	Ordinary	100%
Trencherwood Housing Developments Limited	1	A	Ordinary	100%
Trencherwood Investments Limited	1	A	Ordinary	100%
Trencherwood Land Holdings Limited	1	A	Ordinary	100%
Trencherwood Land Limited	1	A	Ordinary	100%
Trencherwood Retirement Homes Limited	1	A	Ordinary	100%
Vizion (Milton Keynes) Limited	1	A	Ordinary	100%
Vizion (MK) Properties LLP	1	A	N/A	N/A
VSM (Bentley Priory 1) Limited	1	A	Ordinary	100%
VSM (Bentley Priory 2) Limited	1	A	Ordinary	100%
VSM (Bentley Priory 3) Limited	1	A	Ordinary	100%
VSM (Bentley Priory 4) Limited	1	A	Ordinary	100%
VSM (Bentley Priory 5) Limited	1	A	Ordinary	100%
VSM (Bentley Priory 6) Limited	1	A	Ordinary	100%
Ward (Showhomes) Limited	1	A	Ordinary	100%
Ward Brothers (Gillingham) Limited	1	A	Ordinary	100%
Ward Holdings Limited	1	A	Ordinary	100%
Ward Homes (London) Limited	1	A	Ordinary	100%
Ward Homes (North Thames) Limited	1	A	Ordinary	100%
Ward Homes (South Eastern) Limited	1	A	Ordinary	100%
Ward Homes Group Limited	1	A	Ordinary	100%
Ward Homes Limited	1	A	Ordinary	100%
Ward Insurance Services Limited	1	A	Ordinary	100%

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Wards Construction (Industrial) Limited	1	A	Ordinary	100%
Wards Construction (Investments) Limited	1	A	Ordinary	100%
Wards Country Houses Limited	1	A	Ordinary	100%
Waterton Tennis Centre Limited	29	A	Ordinary	100%
Westcountry Land (Union Corner) Limited	1	A	Ordinary	100%
William Corah & Son Limited	1	A	Ordinary	100%
William Corah Joinery Limited	1	A	Ordinary	100%
Wilson Bowden (Atlantic Quay Number 2) Limited	1	A	Ordinary	100%
Wilson Bowden (Ravenscraig) Limited	1		Ordinary	100%
Wilson Bowden City Homes Limited	1	A	Ordinary	100%
Wilson Bowden Developments Limited	1	A	Ordinary	100%
Wilson Bowden Group Services Limited	1	A	Ordinary	100%
Wilson Bowden Limited	1		Ordinary	100%
Yeovil Developments Limited	1	A	Ordinary	100%
Abbey Gate Residents Management Company Limited	5	A, B	N/A	N/A
Abbotts Meadow (Steventon) Management Company Limited	12	A, B	N/A	N/A
Adderbury Fields Management Company Limited	5	A, B	N/A	N/A
Aldhelm Court (Frome) Management Company Limited	19	A, B	N/A	N/A
Alexander Gate Management Company Limited	5	A, B	N/A	N/A
Ambers Rise (Bexhill) Management Company Limited	8	A, B	N/A	N/A
Applegarth Manor (Oulton) Management Company Limited	10	A, B	N/A	N/A
Artisan Place Residents Management Company Limited	11	A, B	N/A	N/A
Ash Tree Court Management Co. Limited	1	A, D	N/A	N/A
Autumn Brook (Yate) Management Company Limited	13	A, B	N/A	N/A
Baggeridge Village Management Company Limited	5	A, B	N/A	N/A
Barley Fields Management Company Limited	10	A, B	N/A	N/A
Barley Meadows (Southminster) Management Company Limited	14	A, B	N/A	N/A
Beaufort Park (Wotton Bassett) Management Company Limited	19	A, B	N/A	N/A
Beaufort Place (Crawley) Management Company Limited	17	A, B	N/A	N/A
Belle Vue (Doncaster) Management Company Limited	6	A, B	N/A	N/A

7.4 Group subsidiary undertakings *continued*

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Bexley College (Tower HIll) Residents Management Company Limited	21	A, B	N/A	N/A
Bilberry Chase Residents Management Company Limited	5	A, B	N/A	N/A
Bishop Fields (Hereford) Management Company Limited	20	A, B	N/A	N/A
Bishop Park (Henfield) Management Company Limited	17	A, B	N/A	N/A
Blackwall Road (BDW) Resident Management Company Limited	8	A, B	N/A	N/A
Blossomfields Residents Management Company Limited	5	A, B	N/A	N/A
Bluebell Woods (Wyke) Management Company Limited	10	A, B	N/A	N/A
Bodington Manor (Adel) Management Company Limited	9	A, B	N/A	N/A
Broadstone Mead Management Company Limited	13	A, B	N/A	N/A
Brook Gardens Barnham Management Company Limited	9	A, B	N/A	N/A
Broomhill Park Estates Residents Association Limited	1	A	Ordinary	87%
Brunel Gardens (Maidenhead) Management Company Limited	16	A, B	N/A	N/A
Buckshaw Village Management Company Limited	8	A	Ordinary	50%
Bure Meadows (Aylsham) Management Company Limited	14	A, B	N/A	N/A
Butterfly Mill (Horsford) Management Company Limited	14	A, B	N/A	N/A
Cane Hill Park (Coulsdon) Management Company Limited	17	A, B	N/A	N/A
Cane Hill Park (Gateway) Management Company Limited	17	A, B	N/A	N/A
Canterbury Park (High Cross) Management Company Limited	8	A, B	N/A	N/A
Cardinal Park (Southampton) Management Company Limited	31	A, B	N/A	N/A
Carlton Green (Carlton) Management Company Limited	9	A, B	N/A	N/A
Castlegate & Mowbray Park Management Company Limited	6	A, B	N/A	N/A
Castle Hill (Barratt) Residents Management Company Limited	8	A, B	N/A	N/A
Castle Hill (DWH1) Residents Management Company Limited	41	A, B	N/A	N/A
Cedar Ridge Management Company Limited	10	A, B	N/A	N/A
Central Area Heat Company Limited	12	A, B	N/A	N/A
Centurion Fields (Adel) Management Company Limited	6	A, B	N/A	N/A
Centurion Place (Milton Keynes) Management Company Limited	41	A, B	N/A	N/A
Chestnut Grange Residents Management Company Limited	5	A, B	N/A	N/A
Cissbury Chase (Worthing) Management Company Limited	17	A, B	N/A	N/A
Colliers Court (Speedwell) Management Company Limited	13	A, B	N/A	N/A

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Coppice Green Lane Management Company Limited	5	A, B	N/A	N/A
Copsewood Management Company Limited	5	A, B	N/A	N/A
Cricket Field Grove (Crowthorne) Management Company Limited	17	A, B	N/A	N/A
Croft Gardens (Spencers Wood) Management Company Limited	12	A, B	N/A	N/A
Daracombe Gardens Management Company Limited	33	A, B	N/A	N/A
De Cheney Gardens Management Company Limited	19	A, B	N/A	N/A
De Havilland Place (Hatfield) Management Company Limited	22	A, B	N/A	N/A
De Lacy Fields KM8 Management Company Limited	5	A, B	N/A	N/A
De Lacy Fields KM12 Management Company Limited	5	A, B	N/A	N/A
Deddington Grange Management Company Limited	5	A, B	N/A	N/A
Doseley Park Residents Management Company Limited	5	A, B	N/A	N/A
Drayton Meadows Management Company Limited	23	A, B	N/A	N/A
Duchess Park (Newmarket) Management Company Limited	14	A, B	N/A	N/A
Earls Park Management Company Limited	13	A, B	N/A	N/A
East Beach Walk Management Company Limited	40	A, B	N/A	N/A
Edwalton (Sharp Hill) Management Company Limited	30	A, B	N/A	N/A
Elm Tree Park Management Company (Beverley) Limited	25	A, B	N/A	N/A
Emmets Reach (Birkenshaw) Management Company Limited	28	A, B	N/A	N/A
Eton Green Management Company Limited	16	A, B	N/A	N/A
Fallows Park Management Company Limited	6	A, B	N/A	N/A
Filwood Park Management Company Limited	13	A, B	N/A	N/A
Foxcote Mead Management Company Limited	1	A, B	Ordinary	100%
Freemen's Meadow Residents Management Company Limited	26	A, B	N/A	N/A
Garnets Wharf (Otley) Management Company Limited	9	A, B	N/A	N/A
Gilden Park (Old Harlow) Residents Management Company Limited	8	A, B	N/A	N/A
Gillies Meadow (Basingstoke) Management Company Limited	12	A, B	N/A	N/A
Grange Park (Hampsthwaite) Management Company Limited	10	A, B	N/A	N/A
Greylees Management Company Limited	8	A, B	N/A	N/A
GWQ Management Limited	24	A	N/A	N/A
H2363 Limited	19	A, B	N/A	N/A

7.4 Group subsidiary undertakings *continued*

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Hampton Water Management Company Limited	15	A, B	N/A	N/A
Hanham Hall Community Interest Company Limited	13	A, B	N/A	N/A
Harlow Gateway Limited	35	A, B	N/A	N/A
Hartley Brook (Netherton) Management Company Limited	9	A, B	N/A	N/A
Hawley Gardens Management Company Limited	36	A, B	N/A	N/A
Hazelmere Management Company Limited	1	D	N/A	N/A
Heathwood Park (Lindfield) Management Company Limited	17	A, B	N/A	N/A
Helme Ridge (Meltham) Management Company Limited	28	A, B	N/A	N/A
Hewenden Ridge (Cullingworth) Management Company Limited	9	A, B	N/A	N/A
Hollygate Park (Cotgrave) Management Company Limited	16	A, B	N/A	N/A
Impact and Willow Brook Management Company Limited	25	A, B	N/A	N/A
Infinity Park Derby Management Company Limited	1	A, B	N/A	N/A
Interlink Park Management Company Limited	1	A, C	Ordinary	0%
Kennett Heath Management Limited	8	A, B	N/A	N/A
Kingley Gate (Littlehampton) Management Company Limited	17	A, B	N/A	N/A
Kingsbourne (Nantwich) Community Management Company Limited	8	A, B	N/A	N/A
Kingsbrook Estate Management Company Limited	16	A, B	N/A	N/A
Kings Chase Residents Management Company Limited	7	A, B	N/A	N/A
Kingsdown Gate (Swindon) Management Company Limited	13	A, B	N/A	N/A
Kings Lodge (Chilwell) Management Company Limited	26	A, B	N/A	N/A
Knights Park (Watton) Management Company Limited	14	A, B	N/A	N/A
KW (Site B) Management Company Limited	12	A, B	N/A	N/A
Lay Wood (Devizes) Management Company Limited	19	A, B	N/A	N/A
Leithfield Park (Godalming) Management Company Limited	17	A, B	N/A	N/A
Liberty Green (Hull) Management Company Limited	6	A, B	N/A	N/A
Liberty Rise Phase 1 (Hertford) Management Company Limited	22	A, B	N/A	N/A
Locksbridge Park (Andover) Management Company Limited	12	A, B	N/A	N/A
Lordswood Gardens Residents Management Company Limited	5	A, B	N/A	N/A
Luneside Mills Management Company Limited	8	A, B	N/A	N/A
Madden Gardens Residents Management Company Limited	11	A, B	N/A	N/A
Marham Park Management Company Limited	18	A, B	N/A	N/A
Market Square Residents Management Company Limited	21	A, B	N/A	N/A
Marston Fields (Marston Moretaine) Management Company Limited	15	A, B	N/A	N/A
Martello Lakes (Barratt) Residents Management Company Limited	8	A, B	N/A	N/A
Martingale Chase (Newbury) Management Company Limited	8	A, B	N/A	N/A
Mayflower Green (Saxmundham) Residents Company Limited	14	A, B	N/A	N/A
Meadowfields (Boroughbridge) Management Company Limited	9	A, B	N/A	N/A
Meadow View Watchfield Management Company Limited	13	A, B	N/A	N/A
Meridian Business Park Extension Management Company Limited	1	A, C	Ordinary	2%
Milford Grange (Storrington) Management Company Limited	17	A, B	N/A	N/A
Mill Brook (Westbury) Management Company Limited	19	A, B	N/A	N/A
Mill Springs (Whitchurch) Management Company Limited	39	A, B	N/A	N/A
Monarchs Keep (Bursledon) Management Company Limited	39	A, B	N/A	N/A
Montague Park (Buckhurst Farm) Management Company Limited	12	A, B	N/A	N/A
Montague Park (Wokingham) Management Company Limited	17	A, B	N/A	N/A
Montgomery Place Residents Management Company Limited	5	A, B	N/A	N/A
Mulberry Park (Poringland) Management Company Limited	14	A, B	N/A	N/A
Nexus Point Management Company Limited	1	A, C	Ordinary	0%
N.E. Horley Resident Management Company Limited	25	A, B	N/A	N/A
Newbery Corner Management Company Limited	13	A, B	N/A	N/A
New Heritage (Bordon) Management Company Limited	39	A, B	N/A	N/A
New Mill Quarter (BL) Residents Management Company Limited	41	A, B	N/A	N/A
New Mill Quarter (DWH) Resident Management Company Limited	41	A, B	N/A	N/A
New Mill Quarter Estate Resident Management Company Limited	41	A, B	N/A	N/A
Northfield Park (Patchway) Management Company Limited	32	A, B	N/A	N/A
Northstowe Residents Management Company Limited	15	A, B	N/A	N/A
Northwalls Grange (Taunton) Management Company Limited	19	A, B	N/A	N/A
Norton Farm Management Company Limited	20	A, B	N/A	N/A
Nottingham Business Park Management Company Limited	1	A, C	Ordinary	2%

7.4 Group subsidiary undertakings *continued*

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Nottingham Business Park (Orchard Place) Management Company Limited	1	A	Ordinary	2%
Oak Hill Mews Management Company Limited	20	A, B	N/A	N/A
Oakfields Residential Management Company Limited	5	A, B	N/A	N/A
Oakfield Village Estate Management Company Limited	16	A, B	N/A	N/A
Oakhill Gardens (Swanmore) Management Company Limited	7	A, B	N/A	N/A
Oaklands (Pontefract) Management Company Limited	9	A, B	N/A	N/A
Oakhurst Place (Bexhill) Management Company Limited	17	A, B	N/A	N/A
Oakwell Grange Management Company Limited	16	A, B	N/A	N/A
Oatley Park Management Company Limited	19	A, B	N/A	N/A
One Eight Zero (Bedhampton) Management Company Limited	7	A, B	N/A	N/A
Optimus Point Management Company Limited	1	A	Ordinary	–
Orchard Gate (Kingston Bagpuize) Management Company Limited	12	A, B	N/A	N/A
Park Farm (Thornbury) Community Interest Company Limited	19	A, B	N/A	N/A
Patch Meadows (Somerton) Management Company Limited	19	A, B	N/A	N/A
Pavilion Square (Phase 2) Management Company Limited	6	A, B	N/A	N/A
Pavillion Square (Pocklington) Management Company Limited	6	A, B	N/A	N/A
Peasedown Meadows Management Company Limited	13	A, B	N/A	N/A
Pembridge Park (Phase 2) Management Company Limited	26	A, B	N/A	N/A
Pembroke Park (Cirencester) Management Company Limited	19	A, B	N/A	N/A
Phoenix And Scorseby Park Management Company Limited	6	A, B	N/A	N/A
Phoenix Quarter – Apt – Management Company Limited	21	A, B	N/A	N/A
Phoenix Quarter Estate Management Company Limited	21	A, B	N/A	N/A
Poppy Fields, Charing Residents Management Company Limited	8	A, B	N/A	N/A
Portman Square West Village Reading Management Company Limited	12	A, B	N/A	N/A
Preston Grange Residents Management Company Limited	27	A, B	N/A	N/A
Priory Fields (Pontefract) Management Company Limited	10	A, B	N/A	N/A
Ravenhill Park Management Company Limited	20	A, B	N/A	N/A
Redlodge (Suffolk) Management Company Limited	14	A, B	N/A	N/A
Ridgeway Residential Management Company Limited	11	A, B	N/A	N/A

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Riverdown Park (Salisbury) Management Company Limited	17	A, B	N/A	N/A
Riverside Exchange Management Company Limited	1	A, C	Ordinary/ Preference	22.8%
Romulus Management Company Limited	1	A, C	Ordinary	4%
Ronkswood Residents Management Company Limited	5	A, B	N/A	N/A
Rosewood Park Bexhill Residents Management Company Limited	8	A, B	N/A	N/A
Runshaw Management Company Limited	8	A	Ordinary	100%
Salters Brook (Cudworth) Management Company Limited	28	A, B	N/A	N/A
Sandbrook Park Management Company Limited	16	A, B	N/A	N/A
Sandridge Place (Melksham) Management Company Limited	32	A, B	N/A	N/A
Saunderson Gardens Management Company Limited	28	A, B	N/A	N/A
Saxon Dean (Silsden) Management Company Limited	28	A, B	N/A	N/A
Saxon Gate (Leonard Stanley) Management Company Limited	10	A, B	N/A	N/A
Saxon Gate (Stamford Bridge) Management Company Limited	6	A, B	N/A	N/A
Saxon Place (Harrietsham) Resident Management Company Limited	41	A, B	N/A	N/A
Silkwood Gate (Wakefield) Management Company Limited	9	A, B	N/A	N/A
Spinney Fields Resident Management Company Limited	5	A, B	N/A	N/A
Spireswood Grange (Hurstpierpoint) Management Company Limited	17	A, B	N/A	N/A
St. Andrews View (Morley) Management Company Limited	42	A, B	N/A	N/A
St. James Gardens (Wick) Management Company Limited	29	A, B	N/A	N/A
St James Management Company Limited	9	A, B	N/A	N/A
St. John's Walk (Hoylandswaine) Management Company Limited	28	A, B	N/A	N/A
St. Laurence Meadows Management Company Limited	20	A, B	N/A	N/A
St. Mary's Park (Hartley Wintney) Management Company Limited	25	A, B	N/A	N/A
St. Oswalds View (Methley) Management Company Limited	28	A, B	N/A	N/A
St. Wilfrids Walk Management Company Limited	6	A, B	N/A	N/A
Stanstead Road (Kingswood Place Elsenham) Management Company Limited	18	A, B	N/A	N/A
Stoneyfield Management Limited	1	A	Ordinary	100%

7.4 Group subsidiary undertakings *continued*

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Swallows Field (Hemel Hempstead) Management Company Limited	22	A, B	N/A	N/A
Swanbourne Park Management Company Limited	9	A, B	N/A	N/A
Swan Mill (Newbury) Management Company Limited	12	A, B	N/A	N/A
Swinbrook Park (Carterton) Management Company Limited	12	A, B	N/A	N/A
Templars Chase (Wetherby) Management Company Limited	28	A, B	N/A	N/A
The Belt Open Space Management Company Limited	6	A, B	N/A	N/A
The Causeway Park (Petersfield) Management Company Limited	34	A, B	N/A	N/A
The Chocolate Works Management Company Limited	6	A, B	N/A	N/A
The Foundry (Wakefield) Management Company Limited	9	A, B	N/A	N/A
The Furlongs (Westergate) Management Company Limited	39	A, B	N/A	N/A
The Grange (Lightcliffe) Management Company Limited	28	A, B	N/A	N/A
The Hedgerows (Thurcroft) Management Company Limited	9	A, B	N/A	N/A
The Maltings (Wallingford) Management Company Limited	12	A, B	N/A	N/A
The Meads (Frampton Cotterell) Management Company Limited	13	A, B	N/A	N/A
The Mounts Residents Management Company Limited	5	A, B	N/A	N/A
The Old Meadow Management Company Limited	5	A, B	N/A	N/A
The Orchard Allington Residents Management Company Limited	8	A, B	N/A	N/A
The Orchids (Sarisbury Green) Management Company Limited	31	A, B	N/A	N/A
The Orchards Oakley Management Company Limited	1	A	Ordinary	60%
The Orchards (Roby) Management Company Limited	8	A, B	N/A	N/A
The Orchards (Withington) Residents Management Company Limited	5	A, B	N/A	N/A
The Oysters (Hayling Island) Management Company Limited	7	A, B	N/A	N/A
The Paddocks (Langford) Management Company Limited	15	A, B	N/A	N/A
The Paddocks (Skelmanthorpe) Management Company Limited	28	A, B	N/A	N/A
The Paddocks (Southmoor) Management Company Limited	12	A, B	N/A	N/A
The Pastures (Knaresborough) Management Company Limited	6	A, B	N/A	N/A
The Pavillions Management Company (Southampton) Limited	39	A, B	N/A	N/A
The Sidings (Stratford Road) Management Company Limited	8	A, B	N/A	N/A
The Spires (Chesterfield) Management Company Limited	26	A, B	N/A	N/A
The Vineyards Management Company Limited	19	A, B	N/A	N/A
The Zone (Temple Quay) Management Company Limited	43	A, B	N/A	N/A
Tranby Fields Management Company Limited	10	A, B	N/A	N/A
Trinity Square (NW9) Management Company Limited	11	A, B	N/A	N/A
Trinity Village (Phase 1B) Residents Company Limited	8	A, B	N/A	N/A
Trumpington (Phase 8 – 11) Management Company Limited	14	A, B	N/A	N/A
Victoria Walk Management Company Limited	39	A, B	N/A	N/A
Walton Gate (Felixstowe) Management Company Limited	14	A, B	N/A	N/A
Warren Grove (Storrington) Management Company Limited	17	A, B	N/A	N/A
Waters Edge (Mossley) Management Company Limited	8	A, B	N/A	N/A
WBD Blenheim Management Company Limited	1	A, C	Ordinary	1%
WBD (Chalfont Park) Limited	1	A, C	Ordinary	1%
WBD (Chesterfield Management) Limited	1	A, C	Ordinary	17%
WBD (Chesterfield) Plot Management Company Limited	1	A, C	Ordinary	25%
WBD (Kingsway Management) Limited	1	A, B	N/A	N/A
WBD (Riverside Exchange Sheffield B) Limited	1	A	Ordinary	100%
WBD Riverside Sheffield Building K Limited	1	A	Ordinary	100%
WBD (Wokingham) Limited	1	A	Ordinary	100%
Weaver Chase (Golcar) Management Company Limited	28	A, B	N/A	N/A
Webheath (Redditch) Management Company Limited	33	A, B	N/A	N/A
Wedgwood Residents Management Company Limited	5	A, B	N/A	N/A
Westbridge Park (Auckley) Management Company Limited	26	A, B	N/A	N/A
Weston Meadows (Calne) Management Company Limited	19	A, B	N/A	N/A
West Village Reading Management Limited	12	A, D	N/A	N/A
White Sands Management Company Limited	38	A, B	N/A	N/A
Willow Farm Management Company Limited	1	A, C	Ordinary	1%
Willow Grove (Stopsley) Management Company Limited	8	A,B	N/A	N/A
Willow Grove (Wixams) Management Company Limited	15	A, B	N/A	N/A
Willowmead (Wiveliscombe) Management Company Limited	19	A, B	N/A	N/A
Winnington Village Community Management Company Limited	26	A, B	N/A	N/A

Notes to the Financial Statements Year ended 30 June 2018 continued

7.4 Group subsidiary undertakings *continued*

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Withies Bridge Management Company Limited	13	A, B	N/A	N/A
Woodhall Grange Management Company Limited	6	A, B	N/A	N/A
Woodlands Walk (Branton) Management Company Limited	6	A, B	N/A	N/A

Notes

A Owned through another Group company.
B 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.
C The Group is a minority shareholder but has voting control.
D The Group does not own any shares but has control via directors who are employees of the Group.

Registered Office

1 Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF
2 7 Buchanan Gate, Cumbernauld Road, Stepps, Glasgow, G33 6FB
3 Blairton House, Old Aberdeen Road, Balmedie, Aberdeenshire, AB23 8SH
4 PO Box 119, Martello Court, Admiral Park, St Peter Port, Guernsey, GY1 3HB
5 One Eleven, Edmund Street, Birmingham, West Midlands, B3 2HJ
6 Unit 11, Omega Business Park ,Omega Business Village, Thurston Road, Northallerton, North Yorkshire, DL6 2NJ
7 Tollbar House, Tollbar Way, Hedge End, Southampton, Hampshire, SO30 2UH
8 Residential Management Group Ltd, Rmg House, Essex Road, Hoddesdon, Herts, EN11 0DR
9 Gateway House, 10 Coopers Way, Southend on Sea, Essex, SS4 1DB
10 Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
11 167 Turners Hill, Cheshunt, Waltham Cross, Hertfordshire, EN8 9BH
12 Norgate House, Tealgate, Charnham Park, Hungerford, Berkshire, RG17 0YT
13 Units 1, 2, & 3 Beech Court, Wokingham Road, Hurst, Reading, England, RG10 0RU
14 Barratt House, 7 Springfield Lyons Approach, Chelmsford, Essex, CM2 5EY
15 The Maltings, Hyde Hall Farm, Sandon, Herts, England, SG9 0RU
16 2 Hills Road, Cambridge, Cambridgeshire, CB2 1JP
17 Barratt House, Walnut Tree Close, Guildford, Surrey, GU1 4SW
18 Fisher House, 84 Fisherton Street, Salisbury, England, SP2 7QY
19 2nd Floor Aztec Centre, Aztec West, Bristol, BS32 4TD
20 60 Whitehall Road, Halesowen, B63 3JS
21 Gem House, 1 Dunhams Lane, Letchworth Garden City, Hertfordshire, SG6 1GL
22 Wellstones House, Wellstones, Watford, Hertfordshire, WD17 2AF
23 Remus 2, 2 Cranbook Way, Solihull Business Park, Solihull, West Midlands, B90 4GT
24 Barratt Residential Asset Management Limited, Great West Road, Brentford, Middlesex, TW8 9BS
25 Firstport Property Services Limited, Marlborough House,Wigmore Place, Wigmore Lane, Luton, LU2 9EX
26 Chiltern House, 72 – 74 King Edward Street, Macclesfield, Cheshire, SK10 1AT
27 Jarmans Solicitors, Bell House, Bell Road, Sittingbourne, Kent, England, ME10 4DH
28 Raynham House, 2 Capitol Close, Morley, Leeds, West Yorkshire, LS27 0WH
29 Oak House, Village Way, Cardiff, CF15 7NE
30 11 Little Park Farm Road, Fareham, PO15 5SN
31 12-14 Carlton Place, Southampton, Hampshire, SO15,2EA
32 Barratt House, 710 Waterside Drive, Aztec West, Almondsbury, Bristol,BS32 4TD
33 Whittington Hall, Whittington Road, Worcester, WR5 2ZX
34 Building 4, Dares Farm Business Park, Farnham Road, Ewshot, Farnham, Surrey, GU10 5BB
35 Ranger House, Walnut Tree Close, Guildford, Surrey, GU1 4UL
36 4 Brindley Road, City Park, Manchester, M16 9HQ
37 49-51 Windmill Hill, Enfield, EN2 7AE
38 1 Princetown Mews, 167-169 London Road, Kingston Upon Thames, Surrey, KT2 6PT
39 PO Box 648, Gateway House, Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO50 0ND
40 PO Box 328 Totton, Southampton, SO40 0BS
41 2 Temple Back East, Temple Quay, Bristol, BS1 6EG
42 Freemont Property Managers Ltd, 3 The Old School, The Square, Pennington, Lymington, Hampshire, SO41 8GN
43 2 Westfield Park, Barns Ground, Clevedon, Somerset, BS21 6UA
44 Barratt London, Lloyds Chambers, 1 Portsoken Street, London, E1 8BT
45 Telford House, 3 Mid New Cultins, Edinburgh, Midlothian, EH11 4DH

Glossary

12 month leaver completion rate	The number of apprentice leavers who achieve at least a level 2 qualification (NVQ) divided by total number of apprentice leavers
Active outlet	A site with at least one plot for sale
AGM	Annual General Meeting
Articles	The Company's Articles of Association
ASP	Average selling price
BBA	British Board of Agrément
BEIS	Department for Business, Energy and Industrial Strategy
BIS	Department for Business, Innovation and Skills
Building for Life 12	This 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
Capital employed	Calculated as average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit assets/obligations and derivative financial instruments
CDP	Carbon Disclosure Project
CIP	Co-Investment Plan
CITB	Construction Industry Training Board
CMI	The actuarial profession's Continuous Mortality Investigation
CV	Curriculum vitae
DBO	Defined Benefit Obligation
DBP	Deferred Bonus Plan
DCLG	Department for Communities and Local Government
DECC	Department of Energy and Climate Change
EBT	Barratt Developments Employee Benefit Trust
EPC	Energy performance certificate
EPS	Earnings per share
ESOS	Executive Share Option Scheme
EU	European Union
FRC	Financial Reporting Council
FSC	Forest Stewardship Council
FY	Refers to the financial year ended 30 June
GDPR	General Data Protection Regulation
HBF	Home Builders Federation
HMRC	HM Revenue & Customs
HR	Human Resources
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIR	Injury incidence rate
IOSH	Institution of Occupational Safety and Health
ISDA	International Swaps and Derivatives Association
ISO	International Organisation for Standardisation
JVs	Joint ventures
KPI	Key performance indicator
LIBOR	The London Interbank Offered Rate
LTI	Long term incentive
LTPP	Long Term Performance Plan
LTV	Loan to Value
MHCLG	The Ministry of Housing, Communities and Local Government
MMC	Modern methods of construction
MPC	The Monetary Policy Committee
NPPF	The National Planning Policy Framework
Net cash	Net cash is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and foreign exchange swaps
Net tangible assets	Group net assets less other intangible assets and goodwill
New Code	UK Corporate Governance Code issued in July 2018 (a copy of which is available from www.frc.org.uk)
NHBC	National House Building Council
Numbers	Unless otherwise stated all numbers quoted exclude joint ventures (JVs) and are as at 30 June 2018 throughout this Annual Report and Accounts
NVQ	National Vocational Qualification
OHSAS	Occupational Health and Safety Management Systems
ONS	Office of National Statistics
Operating margin	Profit from operations divided by revenue
Owned Shareholding	Shares held by an Executive Director, their spouse, partner or child under 18, either directly, in an ISA or PEP, or in a pension or trust arrangement
PBT	Profit before tax
PEFC	The Programme for the Endorsement of Forest Certification
RCF	Revolving Credit Facility
Regional Trading Margin	Basic trading profit (revenue less land costs, build costs and site marketing and running costs) divided by revenue for the regional business
ROCE	Return on capital employed calculated as described on page 9
RSPB	Royal Society for the Protection of Birds
Sharesave	Savings-Related Share Option Scheme
SAPS	Self-administered pension scheme
SHE	Safety, Health and the Environment
SIC	Standing Interpretations Committee
Site ROCE	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
SMIS	Senior Manager Incentive Scheme
SMSOP	Senior Manager Share Option Plan
the Act	The Companies Act 2006
the Code	UK Corporate Governance Code issued in April 2016 (copy available from www.frc.org.uk)
the Company	Barratt Developments PLC
the Group	Barratt Developments PLC and its subsidiary undertakings
the Scheme	the Barratt Group Pension & Life Assurance Scheme
Total completions	Unless otherwise stated total completions quoted include JVs
TRADA	Timber Research And Development Association
TSR	Total shareholder return
UKLA	UK Listing Authority
Underlying ROCE	ROCE as defined on page 9 with net assets also adjusted for land creditors
USPP	US Private Placement
WACC	Weighted average cost of capital
WBD	Wilson Bowden Developments Limited
WIP	Work in progress

Other Information

Five Year Record, Financial Calendar, Group Advisers and Company Information

Five Year Record (Unaudited)

	2018	2017	2016	2015	2014
Revenue (£m)	**4,874.8**	4,650.2	4,235.2	3,759.5	3,157.0
Profit before tax (£m)	**835.5**	765.1	682.3	565.5	390.6
Share capital and equity (£m)	**4,597.7**	4,322.2	4,010.2	3,711.3	3,354.0
Per ordinary share:					
Basic earnings per share (pence)	**66.5**	61.3	55.1	45.5	31.2
Dividend (interim paid and final proposed (pence))	**26.5**	24.4	18.3	15.1	10.3
Special cash payment proposed (pence)	**17.3**	17.3	12.4	10.0	–

Financial Calendar

Announcement	
2018 Annual General Meeting and Trading update	17 October 2018
FY18 Final Dividend Payment	6 November 2018
2019 Interim Results Announcement	6 February 2019
Trading update	8 May 2019
FY19 Interim Dividend Payment	May 2019
Trading update	10 July 2019
2019 Annual Results Announcement	4 September 2019

Group Advisers

Registrars

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Tel: 0871 664 0300

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 00604574

Registered office

Barratt Developments PLC

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