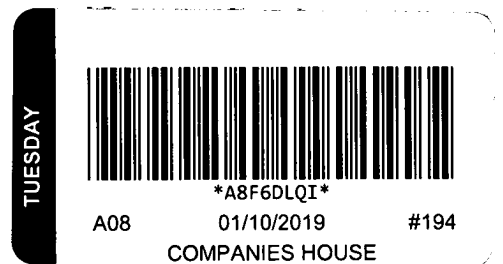




BUILDING EXCELLENCE



Annual Report and Accounts 2019
Company Registration No: 00604574

Our vision

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

Our first integrated report

With a commitment to sustainability throughout our business, we believe integrated thinking enables us to deliver long term value for our stakeholders. This integrated Annual Report illustrates our focus on the connection between economic, environmental, social and governance matters and how this creates and preserves value for stakeholders.

→ For a detailed description of [our approach to integrated reporting](#), go to the Appendix on page 209

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 2 to 65 and the Directors' Report contained on pages 66 to 121. 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 2 to 65 inclusive comprise the Strategic Report and pages 66 to 122 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.

What you will find inside

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Non-financial information statement

The following aligns to the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006.

Description of the business model		Human rights		Policy, due diligence and outcomes	
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Board diversity	69				

Our business in summary

Total home completions¹

17,856

[2018: 17,579]

Average active sales outlets

370

[2018: 368]

Housebuilding divisions

27

[2018: 27]

Owned and controlled land bank plots

80,022

[2018: 79,432]

Employees²

6,504

[2018: 6,330]

¹ Total home completions, including JVs, were 17,856 [2018: 17,579] for the year. Private home completions were 13,533 [2018: 13,439]. Affordable home completions were 3,578 [2018: 3,241] and JV home completions in which the Group has an interest were 745 [2018: 899].

² Employee numbers, excluding sub-contractors, taken at 30 June

Our home completions (including JVs)

Developing homes across Britain where people want to live



■ Scotland

1,862

[2018: 1,729]

□ Northern

3,156

[2018: 2,965]

□ Central

3,130

[2018: 3,258]

□ West

2,778

[2018: 2,639]

□ London and Southern

3,175

[2018: 3,448]

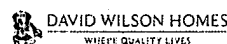
□ East

3,755

[2018: 3,540]

Our brands

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



Investment proposition

We have clear differentiators which underpin our investment proposition:

- We have a fast build and sell model and run one of the shortest land banks in the industry.
- We maintain a resilient balance sheet, with a clearly defined and embedded operating framework, and focus on strong cash generation.
- We have a strong and experienced workforce who deliver quality homes.

- Quality and customer service are fundamental to all of our business operations and we are proud to lead the industry in this area. We are the only major housebuilder to be awarded a HBF 5 Star rating for customer satisfaction for ten consecutive years.
- We operate across Britain diversifying our business and managing risk.

These differentiators drive delivery for our shareholders and other stakeholders. We remain focused on our medium term targets of 3 – 5% volume growth per annum in wholly owned home completions, margin improvement and a minimum 25% ROCE over the medium term.



Growing volumes

3 – 5% volume growth per annum in wholly owned home completions over the medium term

➔ See progress on page 4

Delivering margin improvement

Land acquisition hurdle rate of minimum 23% gross margin

➔ See progress on page 4

Attractive cash returns

2.5 times dividend cover supplemented by special returns when market conditions allow

➔ See progress on page 5

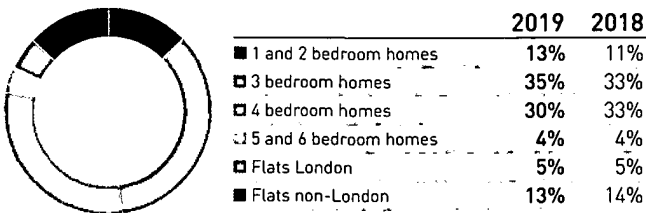
Our homes

We are committed to building high quality homes and have been awarded 84 NHBC Pride in the Job Awards on our sites in 2019, more than any other housebuilder for 15 consecutive years.

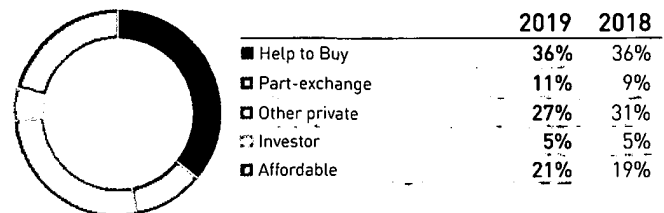
Our customers

We put our customers first and have a long standing commitment to quality and service.

Completions by unit type



Completions by deal type

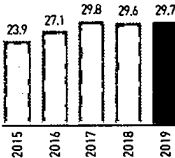
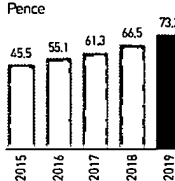


Key performance indicators

Operational targets

Financial

	Measure	Medium term targets	KPI target	Progress	Definition	Why we measure
Growing volumes	Total home completions	3 – 5% growth per annum in wholly owned home completions Present business capacity of 20,000 homes per annum	Disciplined growth in completion volumes Status: 2.6% growth in wholly owned completions to 17,111 with total home completions at 17,856	Number of completions 	Legally completed homes during the year including 100% of JV homes legally completed in which the Group has an interest	Reflects activity and growth of the business Method by which business capacity is monitored
	Gross margin (%)	New land acquisitions at minimum 23% gross margin	New land acquisition at a minimum 23% gross margin Status: On track	Gross margin % 	Gross profit divided by total revenue, expressed as a percentage	Key internal metric for assessing site profitability Enables consistent comparison of land acquisitions
	Operating profit (£m)	N/A	Driving further improvements Status: Good progress delivered in the year	£m 	Profit from operations	Demonstrates profitability of our business before finance costs, share of profits from JVs and associates and tax Assesses the efficiency of our operations
Delivering margin improvement	Operating margin (%)	N/A	Driving further improvements Status: Good progress delivered in the year	Operating margin % 	Operating profit divided by total revenue, expressed as a percentage	Demonstrates profitability of our business before finance costs, share of profits from JVs and associates and tax Assesses the efficiency of our operations
	Profit before tax (£m)	N/A	In line with consensus at the start of the financial year Status: Achieved	£m 	The Group's profit before tax including its share of profits from JVs and associates	Shows the profitability of the Group subject to tax Key metric for assessing performance for Executive Directors' remuneration


	Measure	Medium term targets	KPI target	Progress	Definition	Why we measure												
Delivering ROCE	ROCE (%)	Minimum 25%	Minimum of 25% Status: Achieved	<p>ROCE</p>  <table border="1"> <tr><th>Year</th><th>ROCE (%)</th></tr> <tr><td>2015</td><td>23.9</td></tr> <tr><td>2016</td><td>27.1</td></tr> <tr><td>2017</td><td>29.8</td></tr> <tr><td>2018</td><td>29.6</td></tr> <tr><td>2019</td><td>29.7</td></tr> </table>	Year	ROCE (%)	2015	23.9	2016	27.1	2017	29.8	2018	29.6	2019	29.7	Calculated as earnings before amortisation, interest, tax, operating charges relating to the defined benefit pension scheme and adjusted items, divided by average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit assets/obligations and derivative financial instruments	Ensures efficient and effective use of capital within the business Key metric for assessing performance for Executive Directors' remuneration
	Year	ROCE (%)																
2015	23.9																	
2016	27.1																	
2017	29.8																	
2018	29.6																	
2019	29.7																	
Attractive cash returns	Earnings per share (pence)	N/A	In line with consensus at the start of the financial year Status: Achieved	<p>Pence</p>  <table border="1"> <tr><th>Year</th><th>Earnings per share (pence)</th></tr> <tr><td>2015</td><td>45.5</td></tr> <tr><td>2016</td><td>55.1</td></tr> <tr><td>2017</td><td>61.3</td></tr> <tr><td>2018</td><td>66.5</td></tr> <tr><td>2019</td><td>73.2</td></tr> </table>	Year	Earnings per share (pence)	2015	45.5	2016	55.1	2017	61.3	2018	66.5	2019	73.2	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 EBT on which no dividend is paid	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
	Year	Earnings per share (pence)																
2015	45.5																	
2016	55.1																	
2017	61.3																	
2018	66.5																	
2019	73.2																	
	Total shareholder return (%)	N/A	Threshold 19.2% Maximum 44.2% Status: 26.2% of a potential 33.3% of the 2016/17 LTPP award vesting	<p>36.8% for the three years ended 30 June 2019 (2018: 15.6% for the three years ended 30 June 2018)</p>	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	Shows the appreciation and income a shareholder receives from holding each share Key metric for assessing performance for Executive Directors' remuneration												

Key performance indicators

continued

Operational targets

Non-financial

	KPI target	Progress	Definition	Why we measure
Health and safety (SHE audit compliance)	94%	96% (2018: 96%)	The percentage of internal inspections which are compliant with SHE guidelines	Demonstrates compliance with safety standards on our sites Lead indicator highlighting areas of SHE focus
Land approvals (plots)	18,000 – 22,000 plots approved for purchase	18,448 (2018: 20,951)	The number of plots approved for purchase	Monitors that the Group is approving enough land for purchase to support future business activity Ensures land is approved at minimum hurdle rates
Customer service	HBF 5 Star customer satisfaction	 HBF 2019 HOME BUILDERS FEDERATION	The percentage of homebuyers who would recommend us to family and friends taken from the HBF Homebuilder Survey	Customer satisfaction is a strategic priority and fundamental to our business HBF Homebuilder Survey is an industry recognised independently measured indicator of our customer service and build quality
Employee engagement score	Upper quartile engagement	82% (2018: 79%) Achieved upper quartile engagement	The percentage level of satisfaction of our people measured using an annual independently conducted survey	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
Waste intensity (per 100 sq.m. of legally completed build area)	Reduce construction waste intensity (tonnes per 100 sq.m. of legally completed build area) to 5.67 by 2025 See page 38	 Tonnes per 100 sq.m. 2015: 7.09, 2016: 7.11, 2017: 6.18, 2018: 6.06, 2019: 6.53	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 legally completed build area	To maximise operating efficiency and use materials as efficiently as possible in the construction process Monitors progress in waste reduction
Carbon intensity (per 100 sq.m. of legally completed build area)	Reduce carbon intensity (tonnes CO ₂ e per 100 sq.m. of legally completed build area) from our construction operations, offices and business travel to 2.53 (restated) See page 202	 Tonnes per 100 sq.m. 2015*: 2.82, 2016*: 2.57, 2017*: 2.52, 2018*: 2.28, 2019: 2.21 (*restated)	Measures tonnes of greenhouse gas emissions associated with our Scope 1, 2 and 3 emissions, which includes energy and fuel use on our sites, in offices and business travel, for every 100 sq.m. of legally completed build area	Monitors environmental impact of our business activities Monitors progress in carbon reduction arising from our operations

Our performance highlights

Operating framework

We have a strong operating framework to maintain an appropriate capital structure. Shareholders' funds and land creditors are used to fund longer term investment, while working capital is funded from existing cash resources as our business operates with modest average net cash, supported by bank facilities. We put in place our revised operating framework in September 2018 and summarise our progress below.

	Target	Measure	Progress	Definition	Why we measure	Further information												
Land bank	c.3.5 years owned/c.1.0 year controlled	Owned and controlled land bank (years)	<p>Land bank years</p> <table border="1"> <tr><th>Year</th><td>2015</td><td>2016</td><td>2017</td><td>2018</td><td>2019</td></tr> <tr><th>Value</th><td>4.5</td><td>4.5</td><td>4.5</td><td>4.8</td><td>4.7</td></tr> </table>	Year	2015	2016	2017	2018	2019	Value	4.5	4.5	4.5	4.8	4.7	The number of years supply of owned and controlled land	<p>Drives the ownership of the optimum amount of land to support business activities</p> <p>Key metric for assessing performance for Executive Directors' remuneration</p>	<p>→ See pages 36 to 37</p>
Year	2015	2016	2017	2018	2019													
Value	4.5	4.5	4.5	4.8	4.7													
Land creditors	Reduce to 25 – 30% of the land bank over the medium term	Land creditors as a percentage of owned land bank	<p>%</p> <table border="1"> <tr><th>Year</th><td>2015</td><td>2016</td><td>2017</td><td>2018</td><td>2019</td></tr> <tr><th>Value</th><td>35</td><td>38</td><td>37</td><td>34</td><td>31</td></tr> </table>	Year	2015	2016	2017	2018	2019	Value	35	38	37	34	31	Calculated as land creditors as a percentage of owned land bank	Shows the indebtedness related to the owned land bank	<p>→ See pages 54 to 56</p>
Year	2015	2016	2017	2018	2019													
Value	35	38	37	34	31													
Net cash	Modest average net cash over the financial year	To be moderately cash positive, on average, throughout the year (£m)	<p>Average net cash of £298.3m (2018: £127.4m)</p>	Calculated as the sum of the daily borrowings, deposits and current account balances divided by the number of days in the financial year	<p>Shows the Group's liquidity</p> <p>Helps to assess the Group's ability to fund its ongoing operational commitments</p>	<p>→ See pages 54 to 56</p>												
	Year-end net cash	Year-end net cash (£m)	<p>£m</p> <table border="1"> <tr><th>Year</th><td>2015</td><td>2016</td><td>2017</td><td>2018</td><td>2019</td></tr> <tr><th>Value</th><td>186.5</td><td>592.0</td><td>723.7</td><td>791.3</td><td>765.7</td></tr> </table>	Year	2015	2016	2017	2018	2019	Value	186.5	592.0	723.7	791.3	765.7	Calculated as cash and cash equivalents, less total borrowings being total drawn debt, plus/minus the value of any foreign exchange swaps held	<p>Shows the Group's liquidity</p> <p>Helps to assess the Group's ability to fund its ongoing operational commitments</p>	<p>→ See pages 54 to 56</p>
Year	2015	2016	2017	2018	2019													
Value	186.5	592.0	723.7	791.3	765.7													
Treasury	Appropriate financing facilities	Level and duration of committed financing facilities	<p>£700.0m RCF expiring in 2023, £200.0m USPP notes expiring in 2027</p>	No more than 80% of committed facilities are to mature within a two-year period and the weighted average maturity is a minimum of two years. The RCF refinancing is to be completed a minimum of 12 months prior to maturity	Reduces refinancing risk. If the financial markets were in crisis, all debt maturing in a short period of time would create a significant risk to the Group	<p>→ See pages 54 to 56</p>												
Capital Return Plan	2.5x dividend cover Ordinary dividend supplemented by special returns when market conditions allow	Ordinary dividend of 2.5x cover, plus special returns in line with Board announcements	<p>46.4p total proposed dividend representing 2.5x cover and special return (2018: 43.8p)</p>	Dividend cover is calculated as the ratio of the Group's profit or loss for the period attributable to the owners of the Company to total ordinary dividend. Special returns are supplementary amounts announced by the Board	Shows the income a shareholder receives in relation to the Group's profit or loss	<p>→ See pages 18 to 19</p>												

Market review

The UK economy and the housing market

- The UK economy grew by 1.8% year on year in the first quarter of 2019 but contracted by 0.2% in the second quarter¹
- Bank of England base rate of interest remains low at 0.75%²
- 1.19m residential property transactions in the UK in 2018 – 19³

UK average house price in June 2019⁴

£230,292

⬇️ 0.9%

Uncertainty around the UK leaving the EU and the political environment has heightened over the last year. The medium term economic outlook will depend on the form of the UK's withdrawal from the EU. In particular, new trading arrangements and the transition over to these, as well as the response of households, businesses and financial markets will all affect the economic outlook for the UK. Despite this backdrop, a low unemployment rate and wage growth⁵ outstripping inflation⁶ since the beginning of 2018, suggests that the economy is, for now, proving to be resilient against the uncertainty.

The housing market remains stable and customer demand for new build homes continues to be strong. The positive lending environment and the Government's support for Help to Buy underpins this demand. Mortgage rates remain at historic lows⁷, and there is an increasing number of high-LTV mortgage products available⁸. This has eased affordability pressures and created more routes into home ownership, which remains the tenure of choice for the vast majority of people⁹. There were 1.19 million residential property transactions in 2018–19 (flat year on year) and there has been a modest growth in average house prices.

Housing supply

Market conditions

- Demand continues to outstrip supply of housing;
- Government has calculated 300,000 homes per year are required by the mid 2020s¹⁰;
- Output of the housebuilding sector continues to increase, with 195,290 new build completions in 2017 – 18, up 65% over the last five years¹¹;
- New housing accounts for only a small proportion of overall housing stock; and
- A rapid increase in housing supply could exacerbate the existing skills shortage, put upward pressure on build cost, and raw material availability may become constrained.

Our response

- Increased our volumes by 20.3% over the past five years;
 - Committed to disciplined growth whilst maintaining our high quality standards;
 - Created an organisation structure with a capacity to build 20,000 homes annually;
 - At 30 June 2019, hold a 4.7 year owned and controlled land bank, to support our disciplined volume growth aspirations of 3 – 5% per annum in wholly owned home completions over the medium term; and
 - Taken steps to address the skills shortage.
- ➔ See Skilled labour shortage section for our response to the skills shortage. See page 40 for more details on how we are reducing waste to protect resources.

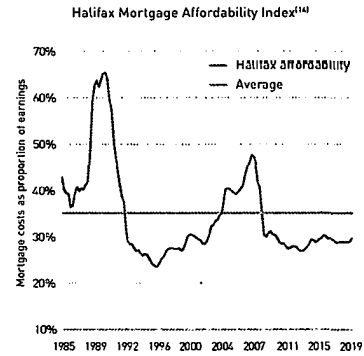
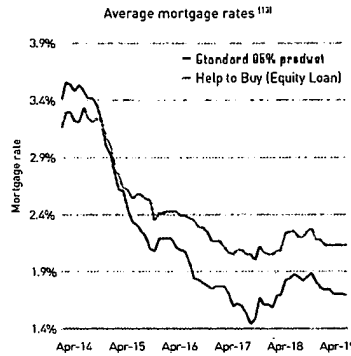
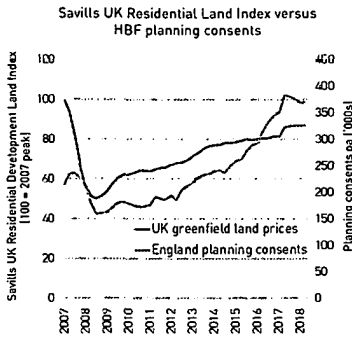
Government policy and the planning system

Market conditions

- The Government remains supportive of the industry;
- Planning permissions granted have increased by 90% since the introduction of the NPPF in 2012;
- 369,417 units received planning permission in England in 2018¹²;
- Help to Buy to continue in its current form until March 2021, and thereafter for two further years limited to first time buyers with regional price caps; and
- New legislation expected on reducing carbon emissions and enhancing biodiversity on new developments.

Our response

- Maintained good momentum in achieving planning consents during the year;
 - Utilised technical and planning expertise to focus on compliance with regulations and achieve implementable planning consents to meet local requirements;
 - Planned for the end of Help to Buy through our land buying decisions, product designs and product mix on sites;
 - Maintained a strong, well-capitalised balance sheet to provide the flexibility and the resilience to react to potential changes in the operating environment; and
 - Taken steps to address climate risks and habitat loss.
- ➔ See Great Places on pages 36 and 37 and Safeguarding the environment on pages 52 and 53 for how we are addressing climate risks and habitat loss.



Positive lending environment

Market conditions

- Affordability remains a challenge when purchasing a home, especially in areas such as the South East and the West;
- Affordability has been constrained by low interest rates and the support of Help to Buy;
- Over 80% of customers require a mortgage;
- Competition amongst lenders has created a favourable lending environment for potential customers;
- Bank of England guidance has indicated that any rise in the base rate of interest will be 'at a gradual pace and to a limited extent'²; and
- The tapering and eventual withdrawal of Help to Buy will have a big impact on the housing industry.

Our response

- Approved land in the right locations with local amenities and good access to transport;
- Developed a range of homes which are suitable for a diverse range of incomes and lifestyles;
- Worked with banks, building societies and other finance companies to introduce more lenders to the new build sector and to increase their understanding of our customer needs, resulting in better and more appropriate lending criteria, reduced interest rates, easier buying processes and increased affordability; and
- Introduced housing ranges which provide flexibility to replan sites to suit market conditions and meet consumer demand should the need arise.

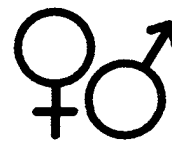
Skilled labour shortage

Market conditions

- There is a significant skills shortage in the housebuilding industry;
- As the volume of new housebuilding increases, skills shortages remain a key constraint which, if not addressed, will intensify; and
- The workforce continues to age and large numbers of skilled workers left the construction industry during the financial crisis and have not returned.

Our response

- Focused on bringing more people into the industry from a more diverse range of sources;
- Continued to prioritise attracting and retaining the best people;
- Continued to build a diverse and inclusive workforce that reflects the communities in which we operate; and
- Continued to develop award-winning schemes for apprentices, trainees, graduates, undergraduates and Ex-Armed Forces personnel.



87:13
ratio of men to women in the construction industry¹⁵



20%
home building workforce aged 50 or above¹⁶



>8,000
new recruits needed in 12 key roles for every 10,000 extra new homes¹⁶

➔ See pages 42 to 45 for more details of [how we are investing in our people](#).

➔ See pages 57 to 64 for more details on our [Risk management and Principal risks](#).

Sources

¹ ONS, Gross Domestic Product Quarter on Quarter growth: CVM SA %.
² Bank of England.
³ HMRC, UK Property Transactions Statistics June 2019.
⁴ Land Registry, UK House Price Index.
⁵ ONS, Average Weekly Earnings, June 2019.
⁶ ONS, Consumer Price Inflation, June 2019.
⁷ Bank of England, Monthly interest rate of two-year 90% LTV fixed rate mortgage, July 2019.
⁸ Financial Times Adviser, Fixed rate mortgage availability reaches 12-year high, February 2019.
⁹ British Social Attitudes Survey 28, Chapter 8: Housing, 2011.
¹⁰ GOV.UK, Government announces new housing measures.
¹¹ DCLG, Components of housing supply: net additional dwellings England 2006 - 07 to 2017 - 18.

¹² HBF, New Housing Pipeline report, April 2019.
¹³ Rates are from an average of five lenders. Standard 85% product based on available rate with a fee not exceeding £1,000. Help to Buy product based on the best available Help to Buy equity share rate with no fee. Rates as at August 2019.
¹⁴ The mortgage to earnings ratio is calculated using the Halifax standardised average house price (seasonally adjusted), average disposable earnings for all full time employees and the Bank of England monthly average rate for new advances to households.
¹⁵ Women into Construction, Changing the Face of Construction report Oct 2018.
¹⁶ HBF, Home Building Workforce Census 2017, Dec 2017.

Chairman's statement

“Another successful year, in which we continued to lead the industry in the quantity and just as importantly, the quality of our homes, underpinned by sound governance.”

We have once again performed strongly against our key financial and operational metrics, and we continue to lead the industry in the quantity and just as importantly, the quality of our homes. This year we delivered 17,856¹ high quality new homes across Britain, the highest number for 11 years.

Quality

The Group's vision is to lead the future of housebuilding by putting our customers at the heart of everything we do. This year we once again demonstrated our industry leading credentials for quality and service.

We achieved a 5 Star rating in the HBF customer satisfaction survey for the tenth year in a row, a record that is unprecedented for a major housebuilder. Our 5 Star rating means that over 90% of our customers would recommend us to their family and friends, and is the leading industry benchmark of quality and service. In addition, our site managers achieved 84 NHBC Pride in the Job Awards for excellence in site management this year – more than any other housebuilder for 15 years in a row, and our highest number of awards for five years.

Political and economic environment

Despite increased political uncertainty, the prevailing economic and political backdrop for the industry is positive. Home ownership is still the tenure of choice for the majority of people, and this combined with the long term undersupply of new housing means that underlying demand remains strong.

The Government continues to support new housebuilding. We welcome the extension of Help to Buy until 2023, albeit subject to restrictions from 2021 onwards. We believe Help to Buy is a successful scheme that has supported new development whilst helping over 221,000² families to buy a new home. The Government's stamp duty cut has also assisted over 340,000³ first-time buyers since its inception in November 2017.

The revised NPPF published last year has provided additional clarity for housebuilders, and the majority of local authorities now have an up-to-date, adopted local plan. In total over 369,000⁴ units secured planning permission in England in 2018, demonstrating that the planning system continues to facilitate new development.

Low interest rates continue to keep mortgages at historically affordable levels and there is increased competition amongst lenders. This robust mortgage market makes demand more effective and further strengthens the backdrop for the housebuilding sector.

Our employees

The Group's continued good progress is only possible because of the dedication and ability of our management team and all of our employees. I would like to take this opportunity to thank everyone in our business for their contribution over the last year. We aim to recruit the best talent available from within our industry and beyond, and the Board believes that this approach provides a solid foundation from which we can grow our business and continue to provide our customers with outstanding quality and service.

The views of our employees are important to the Board. They are the ones that shape the culture of the business and are at the heart of our operations. Our Workforce Forum, established in 2018, met three times during the course of this year to discuss a variety of topics including enhancing workforce engagement, health and wellbeing strategy, benefits, charitable giving, diversity and inclusion.

To enhance the Board's engagement with its employees further, the Board has appointed Richard Akers, the Chair of the Remuneration Committee and our Senior Independent Director, as the designated Non-Executive Director for workforce engagement. Richard will attend at least one Workforce Forum meeting a year to discuss matters relating to working at Barratt. Richard and the Group HR Director will update the Board in respect of any key issues raised at meetings.

John Allan
Chairman

Total proposed dividend

46.4p

[2018: 43.8p]

→ Read more about [the value we are creating for shareholders](#) on pages 18 and 19

Culture

The success of our business is rooted in our culture. This is based on the values and the behaviours exhibited by our people across our business who are working towards our vision to lead the future of housebuilding by putting customers at the heart of everything we do. It's important to examine the culture of an organisation to make sure that it is encouraging the right behaviours, providing the right incentives and leading by example. Consequently the Board will be undertaking a review of the Group's culture later this year.

Safety, health and the environment

The safety and health of all individuals on and around our sites and in our offices is a fundamental priority. We were therefore deeply saddened that a sub-contractor working on one of our sites was fatally injured in June 2019. Our thoughts are with the family, friends and colleagues of the individual concerned. We are cooperating fully with the Health and Safety Executive during its ongoing investigation and await the outcome.

We continuously reinforce the importance of safety and health to our workforce and details of how we did this in FY19 can be found in the Safety, Health and Environment Committee report on pages 92 to 93. Our injury incidence rate for reportable injuries per 100,000 employees and contractors decreased during FY19 to 297 (2018: 462).

Our social and environmental impact is an important concern for the Board. To identify those issues that matter most to our stakeholders we undertook a materiality review process in 2019. This review reconfirmed that the issues that we are focusing on remain key to our stakeholders. Details of the process that we undertook and the outcomes of the review can be found on page 30. We have also embraced the UN SDGs, details of which can be found on pages 31 to 32. We updated our sustainability framework, which sets out the areas of priority in terms of sustainability and how we will deliver against these, to reflect the feedback received from the materiality process and the UN SDGs that we will be focusing on. We will monitor progress against this throughout FY20.

Acquisition and disposals

In June 2019, we announced the acquisition of Oregon, a supplier of timber frames. This acquisition was in line with our strategy to progress construction through the use of MMC. We are excited to work with the team at Oregon and welcome each and every one of them into the Barratt family. Throughout FY20, we will focus on integrating the Oregon business into the Group. Details of the acquisition process can be found in the Corporate Governance section on page 75.

During the year, we disposed of our property management company, Barratt Residential Asset Management. We also sold our remaining 50% interest in the Aldgate Place joint venture to our joint venture partner, in line with our strategy to trade out of central London.

The New Code

In July 2018, the Financial Reporting Council published the new UK Corporate Governance Code and Guidance on Board Effectiveness. Whilst these provisions do not apply to the Company for FY19, we have decided to early adopt those relating to Section 172 of the Companies Act: Duty to promote the long term success of the Company (page 22); Stakeholder engagement (pages 22 to 29); CEO pay ratio (page 116); malus and clawback (page 95) and pension contributions (page 94).

Board appointments and succession

The Nomination Committee continues to oversee Board appointments and succession of Board members. It annually assesses the composition of the Board and its Committees. No new appointments were made to the Board or any of the Committees during the year. The Board effectiveness review, which was this year externally facilitated by Linstock (see page 77 for more details), supported the view that the Board currently comprises the appropriate skills and experience to drive our strategy forward. It did however highlight the need to consider what skills any new Non-Executive Director would need to possess to support our succession plan for Non-Executive Directors and continuous refresh of the Board.

Delivering returns to our shareholders

In line with the Group's extended Capital Return Plan announced in February 2019, I am pleased to confirm that the Board will be recommending a final dividend of 19.5 pence per share (2018: 17.9 pence per share) and a special dividend of £175.0m (17.3 pence per share) for approval by shareholders at the 2019 AGM. The total proposed dividend for FY19, including the interim dividend of 9.6 pence per share paid in May 2019, is therefore 46.4 pence per share (2018: 43.8 pence per share).

Summary

We continue to have an experienced and committed Board who are focused on promoting the success and long term sustainable value of the Group. We will continue to review our composition and ensure that it aligns with our strategy as we move forward.

Our performance this year has put us in a strong position to progress our medium term targets of increasing volume, improving margin and improving ROCE over the forthcoming years. We will continue to focus on the quality of the homes that we build and putting the customer at the heart of everything we do.

On behalf of the Board, I thank you for your continued support and look forward to welcoming you to our AGM on 16 October 2019.

John Allan
Chairman
3 September 2019



¹ Including JVs in which the Group has an interest

² MHCLG, Help to Buy (Equity Loan Scheme) Data to 31 March 2019, England, July 2019

³ HMRC Quarterly Stamp Duty Land Tax Statistics, July 2019

⁴ HBF New Housing Pipeline report, p5 www.hbf.co.uk/documents/8440/HPL_REPORT_2018_Q4_FINAL.pdf

Chief Executive's statement

“ We have made good progress in our medium term targets and further improved our margin, whilst maintaining our leadership in quality and customer care. ”

David Thomas
Chief Executive

Profit before tax

£909.8m

(2018: £835.5m)

ROCE

29.7%

(2018: 29.6%)

➔ Read more about [the value we are creating for customers](#) on page 34

➔ Read more about [the value we are creating for employees](#) on page 42

Overview

We have delivered a strong operational and financial performance this year and are making good progress against our medium term targets.

Primary operational targets

	Medium term targets	Progress in the year
Home completions	3 – 5% growth per annum in wholly owned completions Present business capacity of 20,000 per annum	2.6% increase in wholly owned home completions to 17,111 with total home completions of 17,856 ¹
Gross margin	New land acquisitions at minimum 23% gross margin	210 bps increase in gross margin to 22.8%, resulting in 120 bps improvement in operating margin to 18.9%
ROCE	Minimum of 25%	Strong ROCE of 29.7% for the 12 months to 30 June 2019

We are very proud to be Britain's largest housebuilder and to lead the industry in both build quality and customer service. Quality and customer service has been a long term commitment for us, and we strive to meet our customers' expectations. We believe that high quality homes and excellent customer service are fundamental to our ongoing success. We are building homes the country needs, creating jobs and supporting economic growth whilst also delivering both operationally and financially for our shareholders.

We are operating across England, Scotland and Wales through our three brands: Barratt Homes, David Wilson Homes and Barratt London. We remain committed to playing our part in addressing the housing shortage.

We continue to increase volumes whilst maintaining our industry leading quality. In line with expectations, we saw 2.6%

growth in our wholly owned completions to 17,111 homes (2018: 16,680 homes) and delivered 745 homes through our JVs (2018: 899 homes), making our total completions including JVs 17,856 homes (2018: 17,579 homes) for the year.

We have grown margin significantly over the last five years and this year delivered a gross margin of 22.8% (2018: 20.7%). Operating margin increased by 120 bps to 18.9% (2018: 17.7%) for the year with profit from operations of £901.1m (2018: £862.6m). We delivered 80 bps of operating margin improvements from trading driven mainly by sites purchased at higher gross margins and the benefits of the new product range delivery, partly offset by an increase in administration expenses.

We also benefited from a further net 40 bps of operating margin from non-recurring items, being the disposal of a

legacy commercial asset and net reversal of inventory provisions offset by costs associated with legacy properties. Our operational improvements, including new product ranges, underpin our land acquisition at a minimum of 23% gross margin.

In addition, we delivered a strong performance from our JVs at £37.5m (2018: £18.6m).

As a result we delivered a record profit before tax for the year of £909.8m (2018: £835.5m).

ROCE has grown from 23.9% in the 12 months to June 2015 to 29.7% in the 12 months to June 2019, and our target is for it to be a minimum of 25% over the medium term.

Our balance sheet remains robust, with year end net cash of £765.7m (2018: £791.3m), net tangible assets of £3,960.8m (2018: £3,705.5m) and minimal total gearing (including land creditors) of 4.9% (2018: 5.5%).

Our disciplined approach combined with our financial strength enables us to keep investing in our business and the future of housebuilding.

Strong housing market fundamentals

The housing market fundamentals remain attractive. The Government has set a target of 300,000 homes to be built per year by the mid-2020s to meet existing demand and in July 2018, Ministers released an updated NPPF to ensure that local authorities plan positively for housing and will be held accountable for under-delivery.

The lending environment also remains positive with greater competition in the mortgage market and a broad spread of lenders supporting homebuyers. We continue to see strong Government support for the new build industry and to help people to get onto the housing ladder. In October 2018, the Government announced that Help to Buy will continue in its current form until March 2021, and thereafter will be in place for two further years, limited to first-time buyers with regional price caps. Up to March 2019, over 221,000 homes had been bought using the scheme, 81% by first-time buyers².

The land market remains stable and we continue to see excellent land opportunities that exceed our minimum hurdle rates.

Committed to building more high quality homes

As Britain's largest housebuilder we remain committed to playing our part in addressing the housing shortage. We design attractive developments that meet our high quality standards and will enhance local communities for years to come. We continue to increase volumes whilst maintaining our industry leading quality, and remain committed to investing in the future of housebuilding.

Leadership in quality and customer service

We have an absolute and long term commitment to quality and customer service and we believe our industry leadership in this is fundamental to business resilience. Our quality is recognised through the NHBC Pride in the Job Awards for site management. In June 2019 our site managers were awarded 84 awards, more than any other housebuilder for the 15th 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 ten years in a row which means that our customer satisfaction rating is consistently over 90%.

Investing in our people

We are committed to the development of our people in order to drive our success. A shortage of skilled workers in our sector means that attracting and retaining the best people is an important priority for the business. 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. Employee engagement remains a key measure of our success and we are pleased to have maintained upper quartile performance in our engagement survey for the sixth consecutive year. Our focus on retention has resulted in a reduction in employee turnover this year.

We are investing for the future and continue to develop award winning schemes including those for graduates, apprentices, ex-Armed Forces personnel and our own Degree Apprenticeship in Residential Development and Construction, run in conjunction with Sheffield Hallam University. Building on the success of our programme, we have created a fast track bricklaying apprenticeship, which has attracted more candidates and reduced the programme duration by six months. We currently have 470 apprentices, graduates and trainees on programmes, which is 7.2%

of our workforce. We have recruited a further 269 apprentices, trainees and graduates for our FY20 intake.

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 aim to create an open, honest and fair working environment that embraces diversity and inclusion and we are committed to delivering our Diversity and Inclusion Strategy. We have identified targets in areas such as gender and ethnicity and our aim is to improve in all areas over the next two years. We have introduced flexible working which can help us retain talented employees and can be particularly beneficial for those with family and caring responsibilities. Over 1,600 managers have now completed our diversity and inclusion training programme, and a diversity and inclusion e-learning module has been rolled out to all employees. During the year we have also launched a career development programme, Catalyst, for high potential female employees.

In celebration of us achieving the maximum 5 Star rating in the HBF Customer Satisfaction Survey for the tenth year in a row and to recognise the hard work and dedication of our teams, in July 2019 we awarded all employees below Senior Management level a special award of 200 shares.

MMC

We are committed to increasing the number of homes we build using MMC to increase efficiency and to help mitigate the challenges posed by the shortage of skilled workers within the industry. We continue to develop, trial and implement MMC, building and selling 2,626 homes using timber frame, large format block and light gauge steel frame. We also use offsite manufactured ground floor solutions and roof cassettes.

We have achieved our 2020 target of 20% of home completions using MMC a year ahead of schedule. Our new target is to use MMC to build 25% of our homes by 2025.

¹ Including JVs in which the Group has an interest

² MHCLG, Help to Buy (Equity Loan Scheme) Data to 31 March 2019, England, July 2019

Chief Executive's statement

continued

Over the last three years, we have built 5,274 homes using timber frame with the majority in Scotland and we are also increasing its use across England and Wales. Timber frame construction is a sustainable, low energy method of build manufacture from the world's most renewable building material and is built in factories to high standards. In June 2019, we acquired Oregon, a manufacturer of timber frames. Oregon was already one of our key timber frame suppliers providing high quality products and excellent customer service. The experienced Oregon management team continue to lead our timber frame business.

Our financial performance

Full year results

The Group has delivered a strong performance with good customer demand for high quality new homes supported by a stable market backdrop. Overall our net private reservation rate was 0.70 (2018: 0.72) per active outlet per week and 0.76 (2018: 0.77) in the second half of the year.

During the year, we operated from an average of 379 active outlets (2018: 380 active outlets) including JVs. We made good progress on new site openings, launching 163 new outlets (2018: 142 new outlets) including JVs in the year. In FY20 we expect to operate from a similar number of active outlets and to legally complete a similar proportion of affordable homes.

Completions (homes)	FY19	FY18	Change
Private	13,533	13,439	0.7%
Affordable	3,578	3,241	10.4%
Wholly owned	17,111	16,680	2.6%
JV	745	899	(17.1%)
Total (including JVs)	17,856	17,579	1.6%

Our total ASP for the year was £274,400 (2018: £288,900), with private ASP at £312,000 (2018: £328,800), reflecting changes in our mix and our trade out of central London, partly offset by some underlying house price inflation.

Outside of London, our private ASP reduced by 1.7% to £297,200 (2018: £302,400), driven by an increase in the proportion of two and three bedroom homes offset by some underlying house price inflation. Affordable ASP increased by 6.9% to £132,200 (2018: £123,700) reflecting changes in mix.

We have made good progress in our strategy to trade out of central London, delivering 127 wholly owned central London completions in the year, resulting in 18 private homes being left to legally

complete. We also have 262 units left to complete in our two remaining active central London JVs, of which 85% are now forward sold. We continue to focus on the strong growth opportunities that exist in outer London.

We have grown margin significantly over the last five years. Our gross margin improved to 22.8% (2018: 20.7%) mainly reflecting the benefit of our new product ranges and sites that we have purchased at improved margins.

We delivered an operating margin of 18.9% (2018: 17.7%) in the year. Operating margin improvements from trading of 80 bps were driven mainly by sites purchased at higher gross margins and the benefits of the new product range delivery, partly offset by an increase in administration expenses. We also benefited from a further net 40 bps of operating margin from non-recurring items being the disposal of a legacy commercial asset (10 bps) and reversal of inventory provisions (40 bps) offset by additional costs associated with legacy properties (10 bps) related to cladding.

Administration expenses reduced operating margin by 80 bps, largely reflecting a reduction in other income. As a result of our operating margin improvement, Group operating profit increased by 4.5% to £901.1m (2018: £862.6m).

Net finance charges were £28.8m (2018: £45.1m), £16.3m lower than prior year, mainly due to a reduction in the imputed interest on land creditors, as land creditors as a proportion of our owned land bank reduced in line with our operating framework. In FY20, finance costs are expected to increase to c.£35m, due to non-cash charges arising from the new lease accounting standard and lower interest income as we expect a lower average net cash holding in the year as we move towards our operating framework of 25 – 30% land creditors.

JVs delivered a better than expected profit for the year of £37.5m (2018: £18.6m) mainly as a result of profit generated from land sales and additional home completions. In FY20, we expect to deliver around 750 JV completions and c.£30m of profit based on expected build programmes.

Reflecting our strong performance, profit before tax for the year was up 8.9% to £909.8m (2018: £835.5m). The tax charge for the year was £170.4m (2018: £164.0m) at an effective rate of 18.7% (2018: 19.6%). Basic earnings per share increased by 10.1% to 73.2 pence per share (2018: 66.5 pence per share).

Operating framework and capital structure

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. On 22 November 2018, we amended and extended our £700m RCF to 22 November 2023.

In order to preserve a resilient balance sheet, we maintain a modest average net cash position over the financial year and are cash positive at year end. As at 30 June 2019, the Group had a net cash balance of £765.7m (2018: £791.3m). We expect a net cash balance of around £450m – £500m at 30 June 2020, with the expected reduction from 30 June 2019 due to: an increase in corporation tax payable in the year of around £80m following changes in corporation tax payment dates announced by the Government in 2017 for all very large companies; additional land investment; and the reduction of land creditors as we move towards 25 – 30% of the owned land bank in line with our operating framework.

As at 30 June 2019 the Group had reduced land creditors to 31.3% (2018: 33.6%) of the owned land bank in line with guidance. Whilst we continue to seek to defer payment for some land purchases to drive a higher ROCE, we expect to reduce land creditors to our targeted level of 25 – 30% of the owned land bank in FY20. Our total gearing including land creditors has reduced from 28.8% at 30 June 2015 to 4.9% at 30 June 2019.

Completions
17,856
(2018: 17,579)

Gross margin
22.8%
(2018: 20.7%)

Operating margin
18.9%
(2018: 17.7%)

→ Read more about [value we are creating for suppliers](#) on page 48

Chief Executive's statement

continued

“Our strong financial position provides us with resilience and flexibility to react to potential changes.”

Year end cash

£765.7m

(2018: £791.3m)

Owned and controlled land bank

80,022

(2018: 79,432)

We continue to tightly control work in progress which has appropriately increased to £1,632.8m at 30 June 2019 (2018: £1,463.1m) reflecting an expected increase in volume delivery in the next six months, whilst maintaining our high standard of quality and service and recognising safety and health needs. It also reflects associated infrastructure requirements and an increase in owned show homes following our decision to cease our leaseback programme as one of our margin initiatives. Our ROCE has remained strong at 29.7% for the 12 months to 30 June 2019 (2018: 29.6%) as a result of our focus on delivery of progress on our medium term targets, maintaining an appropriate capital structure and focus on our operating framework.

Our operating framework has remained consistent throughout the year and is as follows:

	Operating framework	Progress in the year
Land bank	c.3.5 years owned and c.1.0 year controlled	3.9 years owned and 0.8 years controlled (2018: 3.7 years owned and 1.1 years controlled)
Land creditors	Reduce to 25 – 30% of the land bank over the medium term	Reduced to 31.3% (2018: 33.6%)
Net cash	Modest average net cash over the financial year	Average net cash of £298.3m (2018: £127.4m)
	Year-end net cash	£765.7m (2018: £791.3m)
Treasury	Appropriate financing facilities	£700m RCF extended to November 2023
Capital Return Plan	2.5x ordinary dividend cover	Total proposed dividend, including special dividend, of 46.4p (2018: 43.8p) per share and Capital Return Plan extended to November 2020
	Ordinary dividend supplemented by special returns when market conditions allow	

Net tangible assets were £3,960.8m (389 pence per share) (2018: £3,705.5m, 366 pence per share) of which land, net of land creditors, and work in progress totalled £3,743.7m (368 pence per share) (2018: £3,429.8m, 339 pence per share).

The key dimensions underpinning delivery of our strategy

Land and planning

In addition to stable market conditions during the year, our successful land investment strategy has helped to drive increased completion volumes and improvements in profitability.

The land market remained attractive throughout the year and we secured excellent opportunities that exceeded our minimum hurdle rates. In the year the Group approved £859.8m (2018: £933.9m) of operational land for purchase, which we expect to equate to 18,448 plots (2018: 20,951 plots). To support our volume growth aspirations we expect to approve between 18,000 – 22,000 plots in FY20. During the year, our cash expenditure on land was £941m (2018: £1,083m) and we expect to invest c.£1.1bn on land during FY20.

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 2019 we were slightly above this target with a 4.7 years land supply, comprising 3.9 years owned land and 0.8 years of controlled land, with the owned land bank including land with both outline and detailed planning consents.

➔ Read more about [the value we are creating for wider society](#) on pages 50 and 52

➔ Read more about [the value we are creating for communities](#) on page 50

Our land bank at 30 June comprised:

Our land bank	30 June 2019	30 June 2018
Owned and unconditional (plots)	66,423	61,504
Conditionally contracted (plots)	13,599	17,928
Total owned and controlled (plots)	80,022	79,432
Number of years supply	4.7	4.8
JVs owned and controlled (plots)	5,207	5,137
Strategic land (acres)	11,995	12,435
Land bank carrying value	£3,071.6m	£2,963.4m

At 30 June 2019, the ASP of plots in our owned land bank was £275k (2018: £270k), which is representative of our expected delivery in FY20. During the year 26% (2018: 27%) of our home completions were from strategically sourced land and we are on track to deliver our medium term target of 30% of completions from strategic land, which we believe is an appropriate level for our business. During the year, 7,915 plots (2018: 2,788 plots) of strategic land were converted to our owned land bank.

Following our success with planning over the past 12 months we are very well positioned, with all of our expected FY20 completions (2018: all of FY19 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 ranges and continue to seek ways to improve efficiencies and reduce costs across our business.

The new housetype ranges 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. We continue to roll out our new housing ranges across our regional business as our London business primarily builds apartments. This year we have delivered 6,024 completions (2018: 1,522 completions) from these ranges across the country. Over 70% of our outlets now have the new product ranges. We have made further refinements to our housing range in response to the changing costs of certain trades and materials, without affecting our quality or design standards. Our new housing ranges cover all segments of our market providing us with the flexibility to replan sites to suit market conditions and meet consumer demands should the need arise.

We have a robust and carefully managed supply chain with around 90% of housebuild materials sourced by our centralised procurement function being manufactured or assembled in the UK. We have fixed price agreements in place for all of these materials to December 2019 and 65% to June 2020.

We continue to see some pressure on skilled labour supply with shortages remaining location and trade specific. We are improving construction efficiency and reducing demand on labour through implementing the new housetype ranges, which are easier and quicker to build, and through the use of MMC such as timber frames, large format block and light gauge steel frames. We saw build cost inflation of 3% in the year and anticipate c.3-4% inflation for FY20.

In FY20 we expect to receive both lower management fees from our joint ventures and less other income. Accordingly, despite carefully controlling our administrative cost base, with expected underlying inflation of c.3%, we expect administrative expenses for FY20 to be around £195m.

Health and safety

A fundamental priority is to provide a safe working environment for all our employees and sub-contractors. We are committed to achieving the highest industry health and safety standard and the wellbeing of our people is paramount to us and everyone across our business is responsible for this. Increased activity levels across the industry in terms of site openings and production volumes combined with shortages of skilled staff has contributed to an increased risk of accidents on sites.

Whilst we recognise that entirely eradicating risk is a challenge, we have stringent standards and a continuous focus on health and safety throughout our business to seek to reduce the number of injuries occurring.

Following the Grenfell Tower tragedy, amendments to the Building Regulations and related guidance have been made. The Group carried out 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.

However, in line with our commitment to put our customers first, we have incurred and accrued an additional £13.9m (including JVs) of costs for work involved in removing and replacing cladding where otherwise costs are likely to have fallen on leaseholders, many of whom bought their properties from us.

Further to continuing and evolving Government advice on the cladding of multi-storey buildings, we continue to work with building owners and management companies on assessment and review of buildings we have constructed.

We are signatories to the Building Safety Charter and active members of the Early Adopters Group, which is committed to supporting cultural change across the industry to ensure buildings are safe for those living and working in them, now and in the future.

Chief Executive's statement

continued

Charitable giving

We are committed to creating a positive legacy in the communities in which we live and work and we aim to be industry leading in our approach to charitable giving and social responsibility. We believe it is important to support charitable causes locally and nationally and we actively promote charitable giving and volunteering amongst our employees. In March 2019, to mark our tenth year as a HBF 5 Star housebuilder, we announced a new £500,000 three-year partnership with St Mungo's to help improve the lives of those experiencing homelessness. This partnership builds on our work with the RBLI to help them build a Centenary Village to provide crucial housing support to ex-servicemen and women, and our long term commitment to the RSPB to improve the sustainability of our developments, enhancing and improving habitats and supporting wildlife.

Two of the Group's five principles are 'Building strong community relationships' and 'Being a trusted partner' and we are committed to partnering with local organisations to support and improve communities and leave a positive legacy in the areas in which we work. In January 2019, we launched the Barratt & David Wilson Community Fund through which each of our operating divisions and Group support functions give £1,000 a month to community groups and charities local to them or their sites.

The Community Fund operates in addition to the divisional charity matching that already takes place across the Group. Each of our operating divisions and Group support functions support local charities and the Group matches the funds raised by our employees. We recently announced that we will also start to match the money raised by individuals for the charities close to their hearts. We also encourage all of our employees to take paid time off work to volunteer in their local communities and ask them to consider using the Give As You Earn scheme.

The Barratt & David Wilson Community Fund is expected to donate around £1m to local charities and organisations over the next three years.

Sustainability

ESG issues are increasingly important to our stakeholders and we believe the right sustainability management approach will deliver sustainable value for them.

We aim to be the leading national sustainable housebuilder. With a commitment to sustainability throughout our business, we believe integrated thinking enables us to make better long term decisions. By focusing on the connection between social, environmental and economic value, we can create long term value for our stakeholders. Since our first sustainability strategy in 2015 we have aligned our organisation around ESG priorities. The Board has overall responsibility for our sustainability framework, with delivery delegated to the Executive Committee to ensure it is embedded into the business.

In 2016 we set out six sustainability issues that matter most to our business and our stakeholders, based on what they had told us. Targets, actions, metrics and accountabilities are assigned within our sustainability framework. Investor, community, local and national Government focus on ESG issues is continuing to accelerate, particularly in relation to climate change, biodiversity and waste. During the year we commissioned an independent consultant to conduct a full materiality assessment and we revised the issues that matter most to our business and stakeholders.

Additional areas we will be including in our future framework to reflect stakeholder views are: the mental health and wellbeing of our employees; diversity and inclusion performance targets; affordability; and an increasing focus on the lifetime environmental performance of the homes we build.

Based on our stakeholders' views we have adopted a number of the UN SDGs, after researching their relevance to the UK, our sector, and then specifically considering the linkage to the items that matter most to our stakeholders, and our priorities and principles. We describe this process and the seven UN SDGs that we have chosen within this report, and we will report on our progress next year.

To date, we have made some good progress on our goals. Operational carbon emissions relative to build area have fallen by 3.1% during FY19, a 21.6% reduction since 2015. Nearly half of all of our electricity consumption has been matched by the purchase of renewable energy. We continue

to work on our programme of improvements for waste intensity and although it increased during the year by 7.8% measured on housing completions and 3.4% measured on build activity including work in progress, we have made good progress since 2015 with a reduction of 7.9% overall.

Concerns over biodiversity loss and the impact poor ecology planning can have on our business have underpinned our drive to work closely with the Government and our partners on developing practical biodiversity net gain guidance. Over 65% (2018: 56%) of new developments have a biodiversity action plan.

We have shown our commitment to eradicating modern slavery and human trafficking in the supply chain by signing the Construction Protocol. This is championed by the Gangmasters Labour Abuse Authority. We will be working with them and our sector partners and the Supply Chain Sustainability School to improve knowledge and awareness of this with our suppliers and employees.

Capital Return Plan

We have a well-defined dividend policy, with the Group paying an ordinary dividend cover of 2.5 times. We have previously announced that when market conditions allow, ordinary dividends will be supplemented with special returns and in February 2019 the Board proposed to extend the special return commitment and pay special returns of £175m in November 2019 and 2020. This is expected to total £2.1bn in respect of the five years ended FY20 based on current analyst estimates.

In September 2018, the Board introduced flexibility to the mechanism for delivering cash returns to shareholders to include share buybacks. Given no share buybacks were undertaken in the year ended 30 June 2019, the Board proposes to pay the £175m special return due in November 2019 by way of a special dividend of 17.3 pence per share. The special return proposed for November 2020, and any future special returns, may be made through share buybacks, special dividends or a combination of both. This recognises that at certain price points the Board believes that Group is undervalued and share buybacks may be in the best interests of all shareholders.

Our business model

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

Key resources

Our key resources are what we utilise to create value, and the outcomes resulting from this value creation.

We have a number of metrics to assess the change over time of our key resources.

Financial health

- Financial capital

Construction and developments

- Building materials

Our people

- Employees and sub-contractors
- Health and Safety procedures
- Training of our employees

Strong community relationships, our partners and supply chain

- Local government and engagement
- Landowner engagement
- Mortgage availability and affordability
- Community relations
- Supply chain partnerships
- Joint venture partnerships
- Planning permissions
- Customer satisfaction

Design and innovation

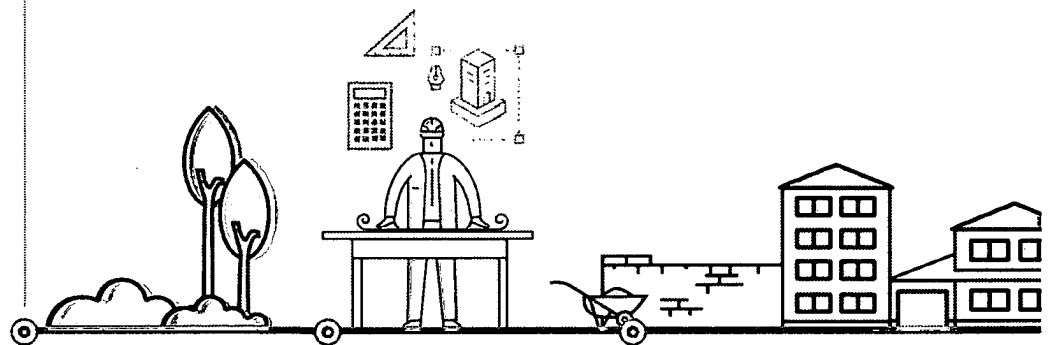
- Design of homes and developments
- Approaches to building homes using MMC

Land and environment

- Land bank
- Land approvals
- Energy
- Water
- Timber sourcing

➔ Read more on pages 33 to 45

Investment in the housebuilding value chain



Targeted land buying and effective planning

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.

Outstanding design

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

Construction excellence, innovation and efficiency

We build quality homes efficiently, with centralised procurement and sharing of best practice, while ensuring high standards of health and safety. Our experienced teams help ensure efficient delivery of our developments and continue to work with our suppliers to develop and test various forms of MMC and reduce waste, carbon emissions and water use.

Employee engagement score

82%

[2018: 79%]

Waste intensity (tonnes per 100.sq.m. of legally completed build area)

6.53

[2018: 6.06]

Capital Return Plan ^A	Dividend pence per share	Ordinary dividend £m	Special return pence per share	Special dividend £m	Total £m	Total pence per share
Total paid ^B	-	697.6	-	474.3	1,171.9	116.2
Interim dividend FY19	9.6	97.1	-	-	97.1	9.6
Proposed final dividend and special return in respect of FY19	19.5 ^C	197.1 ^D	17.3 ^C	175.0	372.1	36.8 ^D
Total proposed dividend and return in respect of FY19	29.1	294.2	17.3	175.0	469.2	46.4
Consensus estimate dividend and special return in respect of FY20	28.2 ^E	285.0 ^{D, E}	17.3 ^C	175.0	460.0	45.5
Total		1,276.8		824.3	2,101.1	208.1

A. All future ordinary and special returns are subject to shareholder approval

B. Comprises total dividend payments for FY16 - FY18

C. Based upon 30 June 2019 share capital of 1,016,985,862

D. Based upon 30 June 2019 shares for proposed payments of 1,010,813,607

E. Based on Reuters consensus estimates of earnings per share of 70.6 pence for FY20 as at 30 August 2019 and applying a 2.5 times dividend cover in line with the announced policy. 30 June share capital 1,016,985,862 less shares held by the EBT of 6,172,255 resulting in 1,010,813,607 shares for proposed payment calculation. 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.

In accordance with this policy, the Board proposes to pay a final ordinary dividend of 19.5 pence (2018: 17.9 pence) per share for the financial year ended 30 June 2019, which subject to shareholder approval, will be paid on Tuesday 5 November 2019 to shareholders on the register at the close of business on Friday 11 October 2019. Together with the interim ordinary dividend of 9.6 pence per share (2018: 8.6 pence per share), which was paid in the year, this gives a total ordinary dividend for the year of 29.1 pence per share (2018: 26.5 pence per share). With basic earnings per share of 73.2 pence (2018: 66.5 pence) the ordinary dividend is therefore covered around 2.5 times by earnings, in line with our ordinary dividend policy.

Under the special cash payment programme the Board is also 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 Tuesday 5 November 2019 to shareholders on the register at the close of business on Friday 11 October 2019.

Current trading and outlook

We remain focused on delivering our medium term targets of volume growth in wholly owned home completions of 3 - 5% per annum over the medium term, land acquisition at a minimum 23% gross margin, and a minimum 25% ROCE.

We have delivered a robust sales performance across the Group in the new financial year to date of 0.70 net private reservations per active outlet per average week (FY19: 0.75). As previously stated, last year we benefited from reservations on two bespoke design and build arrangements, excluding these we delivered a net private reservations rate per active outlet per average week of 0.70, in line with this year.

Strong total forward sales¹ as at 1 September 2019 of 12,911 homes (2 September 2018: 12,648 homes) at a value of £2,998.6m (2 September 2018: £3,054.0m).

	1 September 2019		2 September 2018		Variance %	
	£m	Homes	£m	Homes	£m	Homes
Private	1,549.4	4,963	1,650.4	5,273	(6.1)	(5.9)
Affordable	1,130.5	7,061	1,013.1	6,592	11.6	7.1
Wholly owned	2,679.9	12,024	2,663.5	11,865	0.6	1.3
JV	318.7	887	390.5	783	(18.4)	13.3
Total	2,998.6	12,911	3,054.0	12,648	(1.8)	2.1

Based on current market conditions, we expect to grow volume towards the lower end of our medium term target range in FY20, in line with current market expectations, whilst ensuring we maintain our industry leading standards of quality and service. The housing market fundamentals remain attractive, with a long term undersupply of new homes, strong Government support to the sector and a positive lending environment.

Whilst there is increased economic and political uncertainty, the Group is in a strong position. We recognise that the economic outlook will depend on the form of the UK's EU withdrawal in the medium term. We have a substantial net cash balance, a well-capitalised balance sheet, a healthy forward sales position, a continued focus on delivery of operational improvements across our business and an ongoing commitment to deliver high quality homes across the country. The Board will continue to monitor the market and economy and believes that our strong financial position provides us with the resilience and flexibility to react to potential changes in the operating environment in FY20 and beyond.

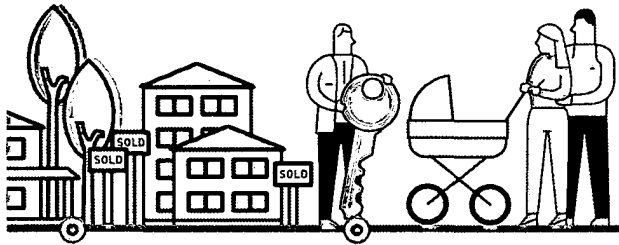
David Thomas
Chief Executive

3 September 2019

Our vision is incorporated within our business model, enabling us to deliver value, creating sustainable returns for shareholders and making a positive difference for stakeholders and the communities in which we operate.

Value for stakeholders

Long term value creation



Innovative sales and marketing

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.

Industry leading customer experience

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.

Customers

We are the only major national housebuilder to achieve the maximum 5 Star HBF rating for customer satisfaction for ten consecutive years. Our focus on maintaining the very highest levels of quality and customer service provides a first-class customer experience throughout the home buying process, as well as after sales customer care.

Shareholders

Our revenue derives principally from the sale of the homes we build. Maintaining a good sales rate of our homes leads to increased revenues and returns to shareholders. We continually focus on improving our operations and their efficiency through our medium term targets of 3 – 5% volume growth per annum in wholly owned home completions, improving operating margin and a minimum 25% ROCE. These support sustainable shareholder returns.

Employees

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

Suppliers

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 to make us the developer of choice.

Communities

We seek to ensure our work creates a positive legacy that helps local communities to thrive.

Wider society

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

➔ Read more on pages 33 to 56

Financial health

Shareholder returns:

- In total £2.1bn expected Capital Return Plan to November 2020 (based on analyst estimates)
- 2.5 times ordinary dividend cover

Construction and developments

- High quality homes and developments that enhance the community socially and environmentally, and leave a lasting legacy for future generations

Our people

- Job creation and skills enhancement, addressing the industry's skills shortage. Skilled and engaged workforce protected by high standards of health and safety

Strong community relationships, our partners and supply chain

- Delivery of quality homes while addressing the UK's housing shortage
- Positive legacy for local communities from building great places to live
- Local investment in infrastructure and regeneration
- Taxation contribution

Design and innovation

- High quality and trusted reputation with sustainable brand recognition
- Continual improvement and innovative solutions developed in collaboration with supply chain

Land and environment

- Creation of a net gain for biodiversity in design across all new developments and reduction in water and energy consumption, waste generation and carbon emissions
- Use of timber frames, renewable materials that use less energy than conventional construction methods

Stakeholder engagement

Engagement with our shareholders and wider stakeholder groups plays a vital role throughout the business, including at Board level. It helps us gain a better understanding of the impact of our decisions on stakeholder interests as well as gain an insight into their needs and concerns. It underpins good governance, which is embedded throughout our business.

In July 2018, the New Code reinforced the importance of s.172 of the Act, which requires directors to act in a way that promotes the success of the Company for the benefit of shareholders as a whole. In doing so s.172 requires the directors to have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and the environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

An overview of the actions currently undertaken by the Board to demonstrate the Company's compliance ahead of the implementation of the New Code (which will make the above requirements applicable to the Company in the next financial year) was provided to the Board together with suggestions of how further feedback could be obtained from our stakeholders. In addition, throughout the year the Board has received updates from the Executive Directors on how the business has engaged with stakeholders, the feedback received and the impact this has had on the Group's existing policies, processes and procedures. We also undertook a further materiality review during the year, to determine whether the views of our stakeholders had changed in terms of what matters most since our last review in 2016. Details of the process we undertook and the outcomes of this review can be found on pages 30 to 32.

Details of how we have engaged with, and taken into consideration, the interests of those stakeholders who are material to the long term success of the business can be found on the following pages. These stakeholders represent the key resources and relationships that support the generation and preservation of value in the Group, as well as our culture of openness and communication.

Engagement

Outcome from engagement



Shareholders

Investor meetings and consultation

- The Executive Directors and investor relations team manage and develop the Group's external relationships with institutional investors, prospective investors, and analysts. They follow a comprehensive programme of investor meetings and calls, particularly following the release of annual and half year results and trading updates.
- In FY19, we engaged with our shareholders as follows:
 - The Executive Directors, supported by Senior Management, attended 182 investor meetings (159 one-to-one meetings and 23 group meetings), engaging with around half of our current shareholders (by shareholding value). Key themes discussed included future strategy, the housebuilding and wider second hand market, margin improvement initiatives, dividends and other matters relevant to individual parties. Investor roadshows were organised in London, New York, Boston, Toronto and Edinburgh and also five site visits were arranged for investors;
 - The Remuneration Committee Chairman consulted with major shareholders on the application of the Remuneration Policy for the year;
 - The Chairman, the Senior Independent Director and other Non-Executive Directors were available to attend meetings with major shareholders at the request of either party to gain an understanding of any issues and concerns; and
 - Our comprehensive investor website was updated and reviewed every quarter to ensure that our information, including matters relating to sustainability, were up to date.
- Additional information has been provided in results announcements and trading updates on:
 - Progress against operating framework and medium term targets;
 - Strengthened operating framework;
 - Progress on the strategy to trade out of central London;
 - General market conditions, including affordability, Help to Buy and the land market;
 - Build cost inflation and supply chain management; and
 - Quality and customer care.

Engagement

Outcome from engagement



Shareholders continued

Board awareness of shareholder views

- The Chief Financial Officer reported regularly to the Board on the Company's investor relations activities, including updates from the Company's brokers to ensure that all Directors are aware of, and have a clear understanding of, the views of major shareholders.
- The Company's brokers provided an analysis of investor and analyst feedback during the year under review and the investor relations team regularly circulated updates to the Board.
- Additional information provided in results announcements and trading updates as outlined above;
- Gives the Board a clear understanding of shareholder sentiment (usually through verbatim comments) and the way in which this changes over time.

Views of retail shareholders

- The Company Secretarial team, together with the Company's Registrars, engaged with our retail shareholders throughout the year to deal with enquiries relating to their shareholdings or information requests.
- Many retail shareholders attended the AGM and had the opportunity to meet with and put questions or comments to the Board.
- The Company Secretary notifies the Chairman and the Chief Executive of any areas of concern or importance raised by retail shareholders. No such queries were raised during the year.
- This provides a good perspective on the different drivers for investment in the Group and the reasons as to why retail shareholders may hold shares in the Company, such as brand recognition, capital growth and dividends.
- Provides further understanding of the importance of sustainability features in the homes and developments we build, and of becoming a Living Wage accredited employer, to our retail shareholders.

Views of 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.
- More insight into what our shareholders expect.
- Any feedback from the voting agencies helps us to form our Remuneration Policy and ensure that our remuneration practices remain satisfactory.

Annual General Meeting

- At the 2019 AGM, the Chief Executive will update shareholders on the Group's performance and activities during the year.
- Shareholders will also have 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 will be available throughout the AGM to answer any queries raised by those shareholders in attendance.
- The Notice of AGM will be circulated to all shareholders at least 20 business days prior to the meeting. All resolutions will be voted on by way of a poll, as the Board believes that this is more representative of shareholder voting intentions.
- At the 2018 AGM shareholders asked the Board to consider the timing of the AGM.

Trading updates

- We continue to keep our shareholders fully informed of the performance of the business on a regular basis, through the publication of three trading updates, in May, July and in October (on the morning of the AGM) as well as the half and full year announcements early in February and September.

Effect of engagement with shareholders and investors on Board decisions

- Capital Return Plan policy was reviewed by the Board, resulting in the extension of the special dividend to November 2020.
- Reviewed and updated our materiality issues to ensure that they continue to represent stakeholders' interests, see page 30 for further details.
- Decided to pursue a number of UN SDGs which will have a significant impact on the business and also which the business could have a substantial effect on (see pages 30 to 32 for more details on the UN SDGs selected).
- The Board has reviewed matters such as: the timing of dividend payments; results announcements and the AGM as well as other matters raised by shareholders at the AGM.

Stakeholder engagement

continued

Engagement

Outcome from engagement

Employees

Health, safety and wellbeing


- 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 a fundamental priority for us. The SHE Director updated the Board on key SHE matters twice during the year whilst the Chief Operating Officer provided shorter updates on health and safety matters at each Board meeting.
- During FY19 the following engagement took place with employees on health and safety:
 - Regional and Managing Directors visited sites with their respective SHE Manager to understand any SHE-related matters impacting the workforce;
 - Our construction site employees provided feedback to our SHE Director on operational procedures, which were fed back to the SHE Operations Committee;
 - Information on new campaigns and programmes were promoted in a variety of interactive ways throughout the year, including quizzes, lunchtime walks and mindfulness sessions, to illustrate the importance of such issues; and
 - Key SHE messages were reiterated at the Workforce Forum meetings, and opinion sought on what more could be done to improve the safety, health and wellbeing of the workforce.
- Reviewed and updated our SHE Management system and our SHE policies and procedures to ensure they continue to be appropriate to safeguard our workforce.
- Reviewed and updated the SHE training provided to our employees and those on our sites to ensure that they remain fit for purpose and reflect the feedback received from our employees.
- Our drugs and alcohol testing has been updated to incorporate the feedback received from the initial programme of random sampling.
- A health and wellbeing promotion programme was rolled out across the business during the year, in line with UK national campaigns to increase the impact of our internal messaging.
- Health and wellbeing hubs were established in every office and site with branded notice boards and a variety of information and assistance options to help the workforce with health and wellbeing issues.
- HR issued a calendar which contains key facts, figures and tips on how employees can improve their own health and wellbeing, such as keeping hydrated, taking regular breaks, eating healthily and taking regular exercise.
- Updated the format and usability of statutory forms provided via our e-forms platform.
- Undertook a review and made alterations to the proprietary fall protection platforms to improve usability.

Workforce Forum

- The Board approved the terms of reference for the establishment of a Workforce Forum, (the 'forum') in 2018. The members of the forum are representatives from across the business from senior management to sales advisers and site managers. The forum is chaired by the HR Director with the Chief Executive and the Chief Operating Officer acting as co-chairs.
- The objectives of the forum are to:
 - achieve closer engagement between the Executive Committee and the workforce;
 - provide further opportunity for employees, via forum members, to influence working conditions and ways of working;
 - provide an initial indication of possible employee reaction to proposed policy and benefit changes;
 - share results of our engagement survey and generate ideas for action; and
 - be a standing forum, which could be convened at the discretion of the Executive Committee for formal employee consultation if necessary.
- Since it was set up, the forum has met three times. During these meetings, they have discussed and considered various matters ranging from health, wellbeing and safety, employee engagement scores, employee benefits and charitable donations, to career progression opportunities, IT development and diversity and inclusion.
- Following the conclusion of each formal meeting, forum members received a presentation from the teams operating at the meeting site (or a site adjacent to it) and participated in a tour of the site, to enhance their understanding of the Group's activities.
- If required, the forum will also be used as a formal consultation group.
- The forum has provided valuable input into action plans following the Employee Engagement Survey. For example, benchmarking reward packages with our peers, having visible career paths in all functions, senior management being available at a specific time on a monthly basis, and the challenges associated with balancing the need to meet targets and delivering high levels of customer care.
- The forum has helped shape our health and wellbeing offering and suggested ways to help us improve our benefits portal. The benefits portal has been re-configured so that it is easier to navigate and we have replaced vouchers with cash sums for long service awards following suggestions from the forum. The forum is also undertaking a review of our current portal provider and comparing it to alternative providers.
- Forum members have helped select charities for the Group to support, for example, they selected MIND and the British Heart Foundation to be the recipients of any funds raised from the Big Barratt Hike taking place in September 2019.
- Following suggestions from forum members, the availability of annual health and occupational health screenings is being extended to all employees.

Engagement

Outcome from engagement

 Employees continued

Internal communications

- We continue 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. After the event the key messages and actions are cascaded throughout the organisation.
- Senior Management came up with a number of suggestions to further the strategy of the Group including vertical integration with our supply chain.

Diversity and inclusion

- The Group has undertaken a number of actions to promote diversity and inclusion and increase engagement with employees in this area. These include:
 - The successful launch of our Women's Career development programme and our reverse mentoring programme;
 - Delivered diversity and inclusion training for over 500 middle managers and over 4,000 employees via e-learning;
 - We are trialling dignity and respect toolbox talks for cascading messaging to both our employees and our sub-contractors;
 - We are a Stonewall Diversity Champion, a member of the Business Disability Forum and have achieved the "committed" level of the Government led disability confident scheme;
 - We utilised a variety of campaigns, such as LGBT media, Mumsnet and Able Magazine, to promote our employer brand and reach a more diverse pool of applicants;
 - We continue to work with charities, such as the RBLI and Leonard Cheshire, to provide opportunities for work placements or employment;
 - The Built by Both initiative undertook a networking event in Manchester. Built by Both is a Barratt led industry-wide initiative designed to provide networking events and a forum for both women and men. It showcases role models within the industry in order to encourage those from diverse backgrounds to consider working in the industry with a primary focus on women's career choices;
 - In April 2019, the Company again invited all employees in the Group to participate in a grant of share options under the Sharesave. The invitation enabled eligible employees to contribute up to £500 per month over all Sharesave grants; and
 - In July 2018 and in July 2019, an award of 200 shares (pro-rated for part-time employees) was made to all employees below Senior Management level, conditional only on their continued employment with us for a period of two years.
- There has been a rise in female representation at leadership level and BAME figures are improving.
- The most improved responses from our 2019 engagement survey included two questions relating to diversity and inclusion.
- We have recently won several awards for our progress in diversity and inclusion throughout our business. These included the Homes for Scotland Company Innovation and Best Practice Award – Overall winner for diversity; the Inspire Awards Most Inspiring Employment Initiative Award – Overall winner for our ex-Armed Forces Programme; and the Inspire Awards Most Inspiring Training Programme – Highly commended for our work on diversity training.
- At 30 June 2019, approximately 46% of employees participate in one or more active Sharesave grants and 6,388 employees (including 172 Oregon employees) were invited to participate in the July employee share award.
- The inclusion of employees in share schemes, aligns their interest with that of the Executive Directors and other shareholders and increases their engagement with the performance of the Group through investment in the Company's shares.

Regional/Divisional site visits

- During the year, the Board has undertaken three regional site visits, visiting the Scotland (July 2018), Central (March 2019) and Northern (May 2019) Regions. The visits included meetings with Senior Management as well as a tour of a number of sites with the site teams.
- The Board gained an insight to the challenges faced by the teams on site in terms of supply chain and labour availability and reviewed the processes around fire stopping utilised by the business.

Culture

- Our Group's culture defines the behaviours we expect from each and every one of our employees when going about their business. We have well established processes through which we seek feedback from our workforce about their perception of our culture such as our employee engagement survey, exit interviews, our Workforce Forum and regular visits by the Board and Senior Management to our sites and offices. During the year, we asked our Executive Committee and Regional Managing Directors to provide feedback on their perceptions of our culture and where we can improve.
- A report on all of the feedback about the Group's culture is being drafted for the Board to review. The report will set out how our current culture is perceived (both positive and negative), and how we plan to address areas for improvement to ensure we embed the positive behaviours throughout the business. The report will also outline how we propose to measure and report on our culture in the Annual Report going forward.

Stakeholder engagement

continued

Engagement

Employees continued

Outcome from engagement

Engagement survey

- We annually undertake an employee engagement survey to gain insight into the issues that matter most to our employees. For the year under review, the survey results showed the overall level of engagement is above upper quartile and above the top decile score. More than 80% of our employees took part in the survey.
- Each divisional and functional head received a report setting out the results for their respective teams. These results have been shared with the teams and plans have been put in place to maintain or enhance employee engagement levels. We will be conducting pulse surveys during the course of the year to measure changes in any key areas.
- A number of changes were made to this year's survey to encourage employees to participate. These included:
 - Introduction of the survey, by video from the Chief Executive;
 - Fewer questions with more encouragement of open ended comments; and
 - Drill down questions, where appropriate, to further investigate answers provided.
- Downloadable reports have been produced with actionable insights and guidance for line managers.
 - We have put in place a number of initiatives to improve internal communications, both to and from employees.
 - We have actively promoted secondments and opportunities for involvement in projects across the business to help career and self development of our employees.
 - To enable employees to see what changes are being made as a result of the survey we provide a 'You Said, We Did' on the Group's Intranet.

Effect of engagement with employees on Board decisions

- The Board continues to encourage improvements in systems, processes and benefits which impact the health, safety and wellbeing of our employees.
- To increase its engagement with the workforce, the Board nominated Richard Akers, the Senior Independent Director, as the designated Non-Executive Director for workforce engagement. Richard will attend his first Workforce Forum meeting in October 2019 and report back to the Board thereafter. He will attend at least one meeting annually going forward and is also available to members of the Workforce Forum throughout the year.
- The Board discussed the benefits of a number of the suggestions made by Senior Management in respect of driving the Group's strategy and agreed to explore the opportunity to vertically integrate with our supply chain. Ultimately, this resulted in the acquisition of Oregon.
- The Board continues to encourage management to find ways of improving our diversity and inclusion position. It has requested diversity and inclusion data to be provided as part of the regional site visits that it undertakes on an annual basis. In addition, the Board monitors progress against, and the appropriateness of, the targets established to drive our diversity and inclusion initiative.
- The Board gained further insight into the importance of fire stopping and how it works.
- In order to ensure that the tone of our culture is driven from the top, the Board's involvement in the review process is critical. The Board is scheduled to undertake a detailed review of our culture and will agree with management as to what, if any, actions need to be taken to further improve, develop and embed the culture across the business.



Customers

Customer satisfaction

- We place customers at the heart of everything we do and focus on delivering excellent build quality, robust policies, industry leading training and resolving any customer problems quickly and efficiently.
- We ensure that our customers have the opportunity to speak to members of the team working on their home throughout each step of their journey with us.
 - Achieved a 5 Star rating in the HBF customer satisfaction survey for the tenth consecutive year. No other major, national builder has achieved this outstanding accomplishment.
 - Introduced new resourcing guidelines to optimise staffing levels of Customer Care teams.
 - Delivered a new customer service training programme to 208 employees, in conjunction with NHBC.
 - Launched a new app for Site Managers to improve defect capture and resolution.
 - Introduced new performance management measures to increase speed of defect resolution.

Engagement

Outcome from engagement



Customers continued

Customer insight

- Customer insight is crucial to decision making and continuous improvement of our business. In the last year we have completed a number of research initiatives including:
 - Systematically reviewing our most popular housetypes with previous purchasers;
 - Understanding the key reasons customers choose to buy our homes;
 - Reviewing Help to Buy with customers who have used the scheme;
 - Capturing future requirements for home specification; and
 - Gaining feedback on our Great Places approach to the design and layout of our developments.
- Results from the research into our housetypes has directly led to improvements in its design and layout.
- Amended the Customer Choices range of optional extras based on the most popular items.
- The Great Places research has generated improved training content for sales advisers.

Customer feedback

- Feedback from our customers is used in a number of ways to support the continued success of our business:
 - Verbatim comments from the HBF survey are shared with senior managers on a weekly basis;
 - Issues raised by customers are collated and shared with our Procurement and Commercial teams for consideration when planning future design and specification; and
 - Complaints are analysed and reviewed by the Executive Committee to agree actions to resolve root causes.
- Refined internal policies, processes and procedures on an ongoing basis to take into account customer feedback.
- Analysis of frequently raised issues has led to a number of improvements:
 - Enhanced content on our website to help customers self-serve;
 - An additional training programme on defect resolution for our Customer Care teams; and
 - Changes to suppliers for various elements of specification.

Industry trends

- We continue to work closely with industry bodies such as the HBF and UK Finance. This enables us to keep informed on any trends or changes that will affect customers, and also gives us a voice to contribute to industry-wide issues.

Effect of engagement with our customers on Board decisions

- The Board found the feedback from customers insightful and have instigated a review of the design of the current and potential new product ranges to reflect customer trends.
- The Board is cognisant of the focus that the quality of new homes is receiving, particularly within the media. As a result, the Board has requested regular updates on customer satisfaction and quality scores and details of what the business is doing to continue to improve our position. The Board considers customer satisfaction and quality in all decisions that may impact on our customers.



Sub-contractors and supply chain

Annual supplier conference



- At this conference we set out our objectives for the financial year and how suppliers could help us achieve them. It allows suppliers to network and discuss any areas of concern with the Executive Directors and Senior Management.
- Introduction of a new supplier evaluation and development programme.

Ongoing supplier relations

- The Chief Executive, 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 expected; (ii) we have contracted on favourable commercial terms, locally and nationally; and (iii) any issues or challenges they are facing can be considered and suitable solutions found.
- During the year, our Chief Operating Officer led a visit to European based suppliers to look at different technologies in use for housebuilding.
- Our divisional management held business briefings for new and existing sub-contractors to ensure that they are aware of our plans and can provide performance feedback.
- Ongoing discussions with suppliers have led to mutually beneficial arrangements improving costs and the consistency of supply of materials.
- Informed the business of innovative and alternative technologies available for possible future adoption.
- Keeps our sub-contractors and supply chain up to date in respect of any changes to our working practices as appropriate.

Stakeholder engagement

continued

Engagement	Outcome from engagement
 Sub-contractors and supply chain <i>continued</i>	
Research and development <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Development of advancements in floor cassettes with our suppliers. Introduction of the Nu-Span and Spantherm offsite ground floor systems.
Payment terms <ul style="list-style-type: none"> 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 3 of the Small Business, Enterprise and Employment Act 2015. 	<ul style="list-style-type: none"> Our payment practices compare favourably with the industry.
Effect of engagement with our sub-contractors and our supply chain on Board decisions <ul style="list-style-type: none"> Engagement with our timber frame suppliers regarding future capacity planning helped inform the Board decision to acquire Oregon whilst managing the relationship with other suppliers. Helps the Board to understand the challenges our sub-contractors and supply chain are facing in delivering for our business. 	
 Local Communities	
Volunteering <ul style="list-style-type: none"> We encourage all of our employees to dedicate one working day per year to volunteer in their local communities. During FY19, employees across the business spent time out in the community. Among the good causes supported were nature reserves and local schools. 	<ul style="list-style-type: none"> Employees gained a better understanding of the needs of their local community.
Views of the local community <ul style="list-style-type: none"> We obtain the views of the local community prior to starting work on any site. Plans are 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. 	<ul style="list-style-type: none"> Re-planning of sites to take into account needs of the community such as communal spaces, parks and schools. We continue to find ways to protect the environment through our operations. See pages 52 and 53, Safeguarding the environment and Our sustainability focus areas on pages 30 to 32 for how we maintain and improve our social and environmental value.
Charitable giving <ul style="list-style-type: none"> We believe that it is important to support charitable causes, both locally and nationally. We have therefore allocated funding in the form of the Barratt & David Wilson Community Fund for each of our operating divisions and Group support functions which can be used to support local good causes. In addition, the Group matches funds (with an appropriate financial cap) raised by divisions and individuals for their chosen charities. At a Group level, we have a longstanding partnership with the RSPB aimed at improving the way in which nature and wildlife are incorporated into our new communities. In the last 12 months we have announced further Group partnerships with the RBLI and St Mungo's. 	<ul style="list-style-type: none"> Substantially increased the focus on charities and charitable giving, see pages 50 and 51 for details of the amounts donated. Increased focus on employee volunteering days and payroll giving. Identified ways of making our developments more sustainable and nature friendly in conjunction with both the RSPB and the Group Ecology and Biodiversity Manager.
Effect of engagement with local communities on Board decisions <ul style="list-style-type: none"> Increased focus on support for charitable causes throughout our business. The Board having reviewed the outcomes of the materiality review undertaken during the year (see pages 30 to 32) and the seven UN SDGs proposed by management and agreed to update the Group's Sustainability Framework to focus the business on what matters most to our stakeholders, including local communities, and the work required to progress the UN SDGs selected. A copy of our Sustainability Framework can be found on our website: www.barrattdevelopments.co.uk. The Board takes into account, environmental factors, such as flood risks, open spaces and preservation of wildlife, when approving any major land acquisitions. They also consider the needs of the community, such as transport links, and outcomes of any local engagement that has taken place to compile the land proposal. Given that the Group has increased its focus on charitable giving, the Board has agreed corporate donations to charities such as St Mungo's and the RBLI. For more details on our charitable donations see pages 50 and 51 of this Annual Report and Accounts. 	

Engagement

Outcome from engagement

 Banks and Analysts

Meetings and webcasts

- Following the annual results, the Chief Financial Officer and Head of Treasury held meetings with each of the banks in the RCF and two of the USPP investors. The remaining USPP investors are based in the US and calls were held with them.
- The Chief Financial Officer and Head of Treasury also held meetings in March with the five top-tier banks following the half year results.
- Each of the banks in the RCF and the USPP investors were invited to events to allow them to meet with Senior Management from across the business on a more informal basis.
- Provided an opportunity to discuss the market environment and recent trends in the market with the banks. Also provided the banks with an opportunity to discuss the Group's latest results and broaden their understanding of the Group.
- In November, we extended our RCF with the banks, due to the open relationship we have with them and their knowledge of our business.

Mortgage lender relations

- As most of our customers require a mortgage, we have a dedicated Head of Mortgage Lender Relations who engages with those banks and building societies that facilitate our customers' purchases.
- We have a structured meeting schedule with those lenders that have a specific new build proposition. We met with them on a regular basis, across a range of disciplines including senior management, sales, property risk and valuation and operational processing in order to improve process, products and criteria. We also met with lenders who did not have new build specific propositions, in order to share information and build support more generally for our sector. The Group's operational management and the Executive Directors supported these meetings.
- Supported and engaged with Accord Mortgages (part of Yorkshire Building Society) in the launch of their New Build proposition which included new build specific criteria and products, resulting in a market share of our customers of 5.5% in the six months from launch (up from less than 1% in the prior six months).
- Supported a pilot and roll out of Barclays specialist New Build processing desk, which resulted in a 25% uplift in market share in the last financial year.

Effect of engagement with banks and analysts on Board decisions

- During the year, based on the relationship that management have with the banks and the feedback received from them, the Board considered and agreed to extend the Group's RCF.
- Based on the engagement that the Chief Financial Officer had with the banks, the Board reviewed the Group's counterparty credit limits and agreed to include a new deposit facility.

 Government and Regulators

Government

- The Chief Executive and the Head of Corporate Communications met with members of Government, other political parties and senior officials to provide an overview of the housing industry and to provide feedback on potential changes being considered by the Government. Members of Parliament have visited a number of our sites during the year.
- Government and ministers gain a better understanding of the challenges facing the industry which will in turn potentially result in a favourable housing policy.

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.
- Ability to obtain planning consent more quickly.

Effect of engagement with Government and Regulators on Board decisions

- Broad understanding of Government policy and regulation ensures that Board decisions are based on the full understanding of the environment in which we operate.
- Helps the Board understand the key drivers for housing policy at a national and local level and the impact that this can have on the land bids that we participate in.

Our sustainability focus areas

Overview of process taken to identify material issues

An independent consultant conducted a full materiality assessment during December 2018 and January 2019, building on our 2016 assessment. An extensive list of issues was provided for internal and external stakeholders' consideration using GRI G4 Sustainability Reporting Guidelines cross-referenced with the UN SDGs.



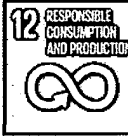
Stakeholders responded to an online consultation which allowed for robust quantitative analysis and statistical calculation to produce the material issues categorisation. A number of material issues were found and they determined five key focus areas. The detailed research findings are available on our website (www.barrattdevelopments.co.uk/sustainability/what-matters-most). Through this report we have highlighted the material issues that are delivered via our vision, strategic priorities and principles and the links to our principal key risks.

Demonstrating our wider contribution to social and environmental value: the UN SDGs

Whilst we are a UK-based business, many of the issues that drive sustainability in our business are global, with implications for every nation and industry sector. The 17 UN SDGs provide the world with a blueprint to achieve a better sustainable future. We consulted our stakeholders on the importance of these in our 2018/19 materiality survey and their feedback expressed their expectation that we should review our strategy against them. We can use the UN SDGs, and the 169 targets that sit behind them, as a model to help us focus efforts where we can make the most difference and have the greatest positive impact.

Rather than simply adopting some or all of the goals that sound appropriate, we have researched each one, and carefully considered what the UN SDGs really mean to the housebuilding sector, wider society and, in particular, to what we do. Most importantly, we focused on the underlying indicators, to discover where we can make the biggest contribution, and which have the biggest impact upon us.

As a result, we have adopted seven UN SDGs set out in the next few pages. A full description of the process behind our choosing of the UN SDGs, and the targets which sit behind them is available on our website (www.barrattdevelopments.co.uk/sustainability/what-matters-most). We will report on our progress against our targets in our Annual Report and Accounts and on our PLC website.

Our sustainability focus areas	UN SDGs	The challenge	Our aspiration	Risk
<p>Keeping people safe and healthy</p> <p>Material issues:</p> <ul style="list-style-type: none"> • Our approach to health and safety • Promoting the physical and mental wellbeing of our employees 		<p>Increased activity levels across the industry in terms of site openings and production volumes combined with shortages of skilled workers can increase the risk of accidents on sites.</p> <p>Links between physical and mental health are well known. A major study in 2017 showed that 34% of construction workers had experienced mental health issues in the last 12 months¹ and 82,000 construction workers suffered from physical or mental work-related ill health in 2018.²</p>	<p>We want to raise the bar in our industry through health awareness training and the provision of direct medical, health and mental health services.</p> <p>This starts from the premise that all accidents are avoidable. We are committed not only to improving performance in health and safety but to provide support for the health and wellbeing of our people.</p> <p>This commitment is underpinned by the philosophy of self-help and individual responsibility within a corporate framework, promoting and supporting good practice to comply with legislation, addressing key workplace risks to health and encouraging a healthy lifestyle culture.</p>	<p>D I J</p>
<p>Innovative, efficient construction</p> <p>Material issues:</p> <ul style="list-style-type: none"> • Innovation (MMC) • Waste created by our operations • The energy we use and carbon emissions of our operations 	 	<p>Meeting Government targets for our industry to build 300,000 homes a year will require skilled labour, energy and materials. Avoiding strain on these resources entails building as efficiently as possible.</p> <p>MMC shows potential to increase efficiency and reduce environmental impacts across the build process.</p> <p>This is particularly important given the environmental challenges ahead.</p> <p>The UK Parliament has declared a climate emergency, and Government has set an ambition for the UK to become net zero carbon by 2050. Local planning authorities are declaring climate emergencies, many with ambitions of carbon neutrality by 2030. At the same time concerns over air quality in our cities add to the pressure to reduce reliance on diesel and increase fuel efficiency.</p> <p>With 61% of UK waste being construction, demolition and excavation waste, this is a crucial issue for the industry to tackle³. While packaging plays a role in preventing waste building materials, there remain opportunities to minimise single-use, hard to recycle materials.</p>	<p>We are committed to increasing the number of homes completed using MMC to 25% by 2025, and are conducting further research to assess the environmental and other efficiency benefits of MMC through the AIMCH project, more detail on which can be found on page 49.</p> <p>A goal has been set to reduce waste tonnage relative to build area by 20% by 2025 on 2015 levels and we are working with our suppliers and sub-contractors to reduce waste on our sites and improving resource efficiency in the packaging of construction materials. We are committed to minimising single-use plastics in our supply chain.</p> <p>Through committing to set a science based target for our operational carbon emissions we will simultaneously decarbonise our housebuilding operations and reduce harmful emissions from diesel. This will be achieved through generating more renewable energy on our sites, using the most efficient plant equipment, and reducing work related travel through investment in technology.</p>	<p>D E F G H J</p>

Principal risk key

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

¹ Randstad (2017) Taking down the walls around mental health in construction.
² HSE (2018) Key statistics in the construction sector.
³ DEFRA (2016), UK Statistics on Waste.

➔ Read more about [our principal risks](#) on page 59

Our sustainability focus areas

continued

Our sustainability focus areas	UN SDGs	The challenge	Our aspiration	Risk
<p>Attracting, inspiring and retaining people</p> <p>Material issues:</p> <ul style="list-style-type: none"> • How we recruit and retain the best talent • The development and training of our employees • How we are creating opportunities for young people • How we are engaging with our employees 	 	<p>The construction industry requires an estimated 33,700 new workers each year until 2023⁴ with the risk of a more acute skills shortage dependent on the outcome of the negotiations for the UK's exit from the EU.</p> <p>Addressing the skills gap will require the industry to put forward an attractive career proposition to the future workforce and reaching out to a broader, more diverse range of people. At the same time we need to retain and develop our existing talent.</p> <p>Our industry is traditionally male-dominated and our business prioritises diversity and inclusion in response to this.</p>	<p>Leadership in these areas will be shown by developing initiatives for people that innovate and go above and beyond our legislative obligations.</p> <p>We aspire to work at both an industry-wide and business level to provide training and recruitment schemes that appeal to a broad range of people.</p> <p>Our focus areas include ensuring equal employment opportunities, tackling the gender pay gap and providing leadership opportunities for women.</p> <p>In this way we can address the industry skills gap while simultaneously providing social value to communities through quality work opportunities.</p>	<p>D</p> <p>I</p> <p>J</p>
<p>Sustainable places to live</p> <p>Material issues:</p> <ul style="list-style-type: none"> • The lifetime environmental performance of our homes and buildings we build • Affordability 	 	<p>Energy efficient and low carbon homes will play a crucial role in achieving net zero carbon by 2050, outlined by the Committee on Climate Change⁵ and major legislative change is expected alongside a renewed emphasis on energy efficiency through planning.</p> <p>Housebuilders need to contribute to the debate on how that can be done most effectively, and at the same time work towards homes that are affordable, inclusive and accessible to communities.</p> <p>With 56% of native species in decline between 1970 and 2013⁶ DEFRA has committed to ensuring new developments create a net gain for biodiversity.</p>	<p>We contribute to these UN SDGs by providing affordable homes in communities that are green, accessible, inclusive and resilient to climate change. We can positively influence the policy and planning that sits behind this by working with local and central Government on industry standards. We can also have a direct impact through best practice sustainable placemaking, using industry leading tools such as our Great Places design commitment.</p> <p>We will continue to play a leading role in setting placemaking and design standards while simultaneously delivering net gains for biodiversity and meet the challenge of decarbonising homes.</p> <p>Through progressing our design standards we will continue to prioritise the creation of places that provide social and economic value for customers and communities. We are reviewing how we can influence affordability to meet all our stakeholder expectations.</p>	<p>A</p> <p>B</p> <p>F</p> <p>J</p>
<p>Sustainable and responsible sourcing</p> <p>Material issues:</p> <ul style="list-style-type: none"> • Having an energy efficient and low carbon supply chain 	  	<p>More than 60% of our carbon emissions are created in our supply chain and by our sub-contractors.</p> <p>Close working partnerships with our supply chain to drive low carbon, resource efficient manufacturing are critical and will reduce the risk of increases in energy costs and changing legislation.</p> <p>Housebuilders must support their supply chains to develop innovative, sustainable solutions to challenges facing the industry, requiring increased recruitment and training capabilities with the financial security to invest in the future. Supporting work and economic growth through the supply chain is therefore essential to meeting our other supply chain ambitions.</p>	<p>We will publish a science based carbon reduction target, and engage our suppliers to drive transformation collectively.</p> <p>This will encompass a responsible approach to raw material use, reducing packaging and single use plastics within our supply chain, innovating in low carbon building products and the specification of energy efficient plant.</p> <p>Through setting clear expectations of our suppliers and sub-contractors and harnessing the expertise of our partners such as the Supply Chain Sustainability School we will actively pursue sustainable supply chain solutions.</p> <p>We will continue to ensure vigilance in our supply chain and among our employees on the risks of modern slavery, contributing to industry efforts. We will safeguard our valued suppliers and sub-contractors through payment on a prompt and fair basis.</p>	<p>E</p> <p>F</p> <p>I</p> <p>J</p>

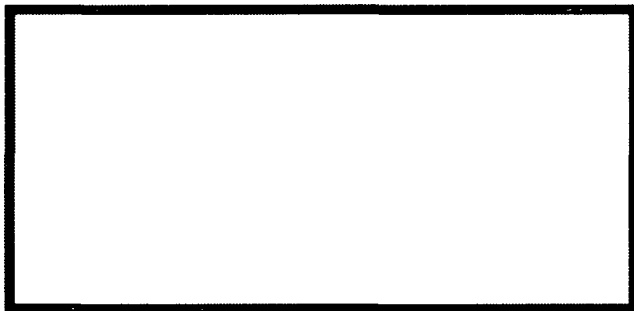
⁴ CITB (2019), Construction Skills Network Forecast.
⁵ CCC (2019) Net zero: the UK's contribution to stopping global warming.
⁶ Hayhow et al. (2016) State of nature.

Our strategic priorities

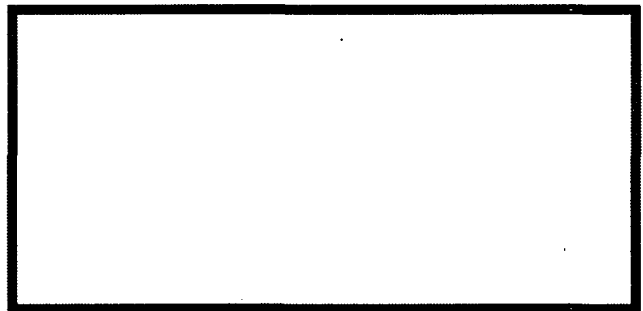
Our vision is to lead the future of housebuilding by putting customers at the heart of everything we do. By investing in our people, we are leading construction to create great places where people aspire to live and generating sustainable returns for our shareholders.

Our priorities

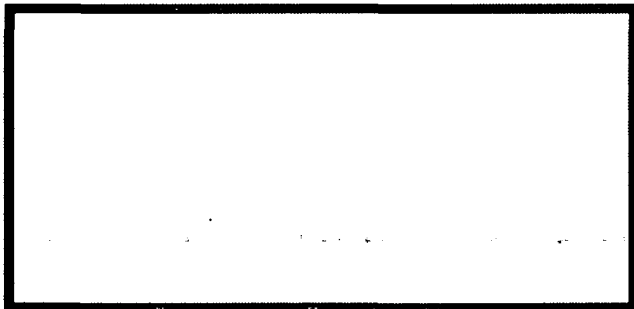
Aligning business goals – the actions that drive improvements across our business




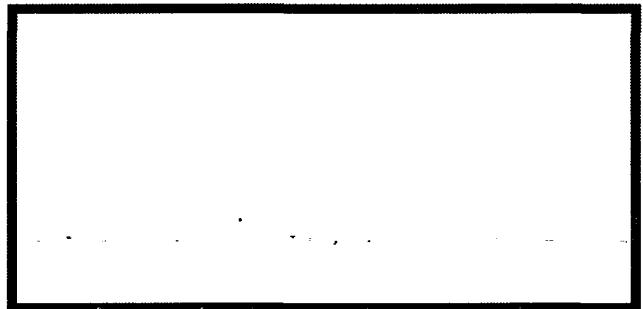
 **Customer first**
➔ Read more on page 34




 **Great places**
➔ Read more on page 36



 **Leading construction**
➔ Read more on page 38



 **Investing in our people**
➔ Read more on page 42

Our principles

Acting responsibly – embedding the desired culture that underpins all of our operations

Keeping people safe



➔ Read more on page 46

Being a trusted partner



➔ Read more on page 48

Building strong community relationships



➔ Read more on page 50

Safeguarding the environment



➔ Read more on page 52

Ensuring the financial health of our business



➔ Read more on page 54



Customer first

Our priorities

The challenge

Britain needs more homes to address its housing shortage. There is continued customer demand, good mortgage availability and affordability and an undersupply of new homes.

While the industry needs to increase volumes, it must maintain customer service and build quality whilst addressing the industry skills shortage.

Strategic priority

The quality of our homes and our high levels of customer service are key to our ongoing success. We deliver this through:

- Building high quality homes and providing a good customer experience throughout the sales process, with quick resolution of post occupational issues.
- Anticipating our customers' needs by continuously improving the homes and places we build to meet changing lifestyles and tastes.

KPIs

HBF 5 Star

(2018: HBF 5 Star)

Why we measure

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

Risks **A** **J**

Delivery of quality is key to our brand and reputation.

Changes in economic environment could affect customer confidence and the availability of mortgages which could reduce sales rates volumes.

Progress in FY19

Customer service is a long term commitment for Barratt and we are the only major national housebuilder to be awarded the maximum HBF 5 Star status for ten years in a row. During the year, we have continued to drive improvements to our customer journey to improve customer experience, including website enhancements, additional training for our employees, development of technology solutions and continued investment in customer and stakeholder research.

Key material issues

- Development and training of our employees.
- The lifetime environmental performance of our homes and buildings we build.
- Affordability.

Operational risk management

Training and development

We place customers at the heart of everything we do and the first stage of this is to gain a detailed understanding of their requirements and needs. 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 and in particular driving improvements to our training and development to improve customer experience.

We know that our people are key to providing an excellent customer service experience and we are committed to continuing to invest in training and development programmes for our Construction, Sales & Marketing and Customer Care teams to ensure they remain best in class.

During the year, we have designed and delivered a bespoke NHBC training course to Customer Care teams to improve their construction and technical knowledge and ultimately enhance the service that they can provide to our homeowners.

Within our sales team, we have delivered induction training to 217 new starters as well as providing additional skills training to our Sales and Marketing team of around 1,300 people. To enhance the digital skills of our sales team and to maximise the usage and the effectiveness of our online marketing channels, we have a formal sales methodology programme, which 170 employees passed during the year.

Effective communication using technology

We understand buying a home is a big decision and customers need timely and relevant communications throughout the process. One of the main channels of communication and marketing is via our website which has been upgraded to provide a more user friendly and informative experience including, interactive site plans across all device types. These enable customers to see real time plot availability across their chosen development.

One of the key components of customer care during the after sales period is the speed of resolving any defects. Our policy is that within the first few months after completion, it is the site managers' responsibility to look after each customer and resolve any such issues. To support this, we have launched iFIX, an app developed to improve defect capture and resolution by allowing Site Managers to log, update and close defects in real time.

Quality of our products

We are committed to delivering high quality, sustainable, energy efficient places to live that satisfy the needs of customers and communities. We are addressing housing needs by ensuring we provide quality housing in the right locations to create communities that are right for our customers.

We understand it is of the utmost importance that we build homes that are right for our customers' lifestyles. We understand that lifestyles can change over time and our product should do too. During the year, we conducted research to gather actual customer experience of our best-selling housetype.

This led to direct improvements in the design and layout of this housetype and this will be extended to other popular housetypes next year. Our new product ranges have been consolidated to ensure efficiency of build and consistency across the Group without affecting our quality or design standards.

To ensure that quality is consistent across our business, we have an external mystery shopper programme in place, this results in year on year improvement in the capability of our sales teams.

Finance and mortgage – affordability

Most of our customers require advice on mortgages and financial assistance which they can, if they choose, obtain through our network of recommended Independent Mortgage Advisers. To provide a seamless and efficient service we have launched an online mortgage advice service via a regulated third party (L&C Mortgages) in order to better inform our customers.

In order to ensure that appropriate mortgage finance is available to our customers, we work with lenders' property risk teams and valuers to make sure that they fully understand the nature of the security for their loans, for example, providing full transparency to mortgage providers, education on MMC and involvement in site visits.

Value created for stakeholders

Customers

Customers have always been at the heart of everything we do. Buying a home is a major financial commitment and personal investment. We are committed to delivering a best in class service for our customers at every step of their journey, from initial viewing right through to after sale care.

We also understand that we don't always get it right the first time. We continue to develop research to gather insight at every stage of our end-to-end customer journey in order to devise continuous improvement initiatives and training for our people.

Future focus

In the medium term, we plan to roll out automated solutions to improve speed and consistency of our service as well as maintaining our focus on training and development:

- We will replace our CRM system and following this, we will launch an online customer portal to improve communications between customers and our Customer Care teams. The portal will be a central hub – both during the sales process and following handover – and will enable customers to store important documents as well as diagnose any problems with their home and then log issues direct into our CRM system for faster resolution;
- We will continue the development of our website to enable more personalised and relevant content for different buyer types;
- We are developing additional new build specific financial content for our website to give customers access to a real time affordability assessment as well as decisions in principle at the earliest opportunity;
- We are enhancing our social media capabilities to support our customers;
- We will continue to develop and enhance our training, development and performance management of all our employees to deliver the highest standards of customer service;
- We are reviewing our upgrade options to ensure they continue to meet the evolving needs of our customers and also improving the interactive website experience when considering upgrades for their new home;
- We will implement technology to manage the deployment of our Customer Care Operatives in order to minimise drive times and maximise efficiency;
- We are reviewing the Government plans for the future of Help to Buy to develop our approach. In addition, we are working with lenders to develop appropriate lending for our customers in the future; and
- We will investigate actions to increase affordability of homes.

In addition to the above, we are working closely with the HBF to develop our approach to the request from Government for greater consumer redress and specifically the launch of a new homes Ombudsman.



Great places

Our priorities

The challenge

The future of our business depends on securing the right land in the right locations where quality homes are most needed whilst exceeding our investment hurdle rate.

Strategic priority

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

KPIs

Owned and controlled land bank

4.7 years

(2018: 4.8 years)

Why we measure

- Drives ownership of the optimum amount of land to support business activities

Land approvals (plots)

18,448

(2018: 20,951)

Why we measure

- Monitors that the Group is approving enough land for purchase to support future business activity
- Ensure land is approved at minimum hurdle rates

Risks **A B F J**

The inability to secure sufficient consented land and strategic land options at appropriate cost and quality would affect our financial position.

Changes to the regulatory environment could affect our ability to achieve our medium term targets.

Progress in FY19

Our priority is to build in locations where people aspire to live. Land is our key component and our land bank remains an important driver of value as it enables us to build the right product, create the right communities, and supports our volume aspirations of 3 – 5% growth per annum in wholly owned home completions over medium term. Home completions from strategic land were 26% in FY19. During the year, we have continued to roll out our new product range. We have achieved detailed or outline planning permission on all of our FY20 expected home completions and 93% of FY21 expected home completions.

Our own design initiative, Great Places, aligns with the Government endorsed Building for Life, a tool for assessing design quality of homes and neighbourhoods in England, developed by the Commission for Architecture and the Built Environment. In our annual Great Places design awards, 85% of all submitted schemes achieved a Gold or Silver Standard.

Key material issues

- The lifetime environmental performance of our homes and buildings we build.
- Affordability.
- Biodiversity.

Operational risk management

Placemaking principles are fundamental to our business: our customers want to live in great places that leave behind a positive legacy.

Building the right homes

We build homes in locations where our customers want to live with good transport connections and access to their workplace, schools and other amenities. Land is the key component of housebuilding and 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 the housing that the local communities desperately need, with local amenities and good access to transport. This helps to ensure strong customer demand for our developments. Our land buying also reflects Government policy towards affordable housing and first-time buyers.

We continue to target a high quality and 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 2019, we achieved this target with a 4.7 years land supply comprising 3.9 years owned land and 0.8 years controlled land, with the owned land bank including land with both outline and detailed planning consents.

In FY19, we approved the purchase of 18,448 plots. In FY19 26% (2018: 27%) of our home completions came from strategic land and we have a target of 30% in the medium term.

Bringing land through the planning system quickly and into production is important to support our business objectives. The new NPPF published in July 2018 provides the framework for the planning system to continue to provide a stable supply of consented units into the land market.

We have maintained good momentum in achieving planning consents and during the year we secured planning on 18,280 plots (2018: 16,997 plots).

Designing great places

Throughout our business, we use the Government endorsed Building for Life tool to aid discussions with stakeholders during the pre-application stage. This tool allows us to maintain standards for creating well designed residential places and ensure these designs are aligned with Government endorsed criteria.

A post occupancy evaluation of our Great Places design principles at Montague Park, West Bedford led to embedding greater awareness of Great Places design principles in product knowledge for sales teams and the development of an e-learning module.

We aim to build high quality homes that are long lasting and sustainable and we seek to ensure our build processes are efficient and minimise waste produced.

We launched the new housing range in 2016 for both Barratt and David Wilson and we have been successful in using this range on 6,024 homes completed in the year (2018: 1,522 homes). The feedback from both building teams and customers has been positive. Customers are positive about new design features, such as more open-plan living areas, whilst sub-contractors like the simpler designs and footprints as they are less complex, making them easier and quicker to build.

The Group's central Technical team continue to assist divisions and their external consultants in choosing the right housetypes in the right places, to ensure plotting efficiency while not compromising on the quality and design of our homes.

During the year we have continued to consolidate the new range to ensure efficiency of build and consistency across the Group, whilst maintaining our high standard of quality and design of our homes.

Water efficiency

We have reviewed our approach to water efficiency in the design of our homes and the management of surface water in our developments and will publish our approach in FY20. See Safeguarding the Environment on page 52.

Biodiversity

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. It is important that we take care to protect habitats and wildlife on our sites. Barratt is the largest volume housebuilder to have worked with CIRIA, IEMA, CIEMM, DEFRA and Natural England in the development of net gain guidance for the UK. We also provided our experiences and knowledge of delivering biodiversity net gain projects through our developments to help shape a measured and appropriate response to the DEFRA consultation. We have undertaken a retrospective analysis of six sites to understand the commercial and practical implications of biodiversity net gain.

Our work with RSPB has led to our commitment to install swift bricks in ten key cities across the UK, and the development of wildlife friendly gardens in all of our show home gardens. The sale of Manthorpe Swift Nesting bricks, which we helped to design and produce, passed the 2,000 mark in this financial year.

During the year, Barratt North Scotland won the Business category of the RSPB Nature of Scotland Award for the restoration of 800 metres of river and otter habitat that passes through their Riverside Quarter development.

Value for stakeholders

Customers

We are the UK's largest housebuilder and we know the designs of our homes are very important to our customers and lead to long term satisfaction. We design outstanding homes and places for our customers, and our high quality products fit in with our customers' lifestyle and needs, in developments that enhance local communities, enabling them to very quickly become part of the community.

Communities

We continue to invest in design and placemaking to ensure all our developments become communities that are socially, environmentally and economically viable and sustainable.

Local authorities

We engage actively with local authorities in each of our 27 divisions as we believe this requires local knowledge to ensure we purchase the right land and obtain effective planning permission for our sites. Our planning teams build good relationships with local planners by understanding what their goals and priorities are.

Future focus

In the short term, to promote our Great Places principles to our customers, we will be launching training material for our sales advisers and eLearning modules for all employees, to further support our commitment to placemaking across the Group.

We are committed to achieving Great Places Silver standard on all developments by the end of FY20.

Over the medium term, we will continue to develop high quality designs for our homes and ensure effective planning. The Group's central Technical team will continue to work with divisions to amend and improve our housetypes as necessary in order to meet changing planning and customer requirements.

We will continue to seek to create a net positive impact on biodiversity and ecology across all new developments where there is no prior planning permission from FY20.



Leading construction

Our priorities

The challenge

The housing shortage has increased demand for new homes, which has resulted in pressures on the availability of materials, 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 MMC to increase build efficiency.

KPIs

Total home completions (including JVs)

17,856 homes

(2018: 17,579 homes)

Why we measure

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

Waste intensity

6.53 tonnes per 100 sq.m. of build

(2018: 6.06 tonnes per 100 sq.m. of build)

Why we measure

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

Risks **A D E G H J**

Failure to maintain sufficient material and skilled sub-contractor availability may lead to increased costs and delays in construction, which in turn, would affect our financial position.

Delays in construction, or poor product quality, could harm reputation, increase costs, reduce selling prices and sales volumes and result in litigation and uninsured losses.

Progress in FY19

The housing shortage has increased demand for new homes, which has resulted in pressures on the availability of materials, skilled labour and sub-contractors. As a business we want to be able to meet this demand while continuing to deliver the highest quality homes for our customers. Key to our long term success is our focus on excellence across all aspects of construction. In response to the pressures and our wider environmental impact we focus on three principal areas: delivering high quality, safe sites which help us maintain customer demand and attract the skills we need; using MMC to improve the efficiency of our construction process; and using our resources more effectively.

Our quality is recognised through the NHBC Pride in the Job Awards for site management. In June 2019, our site managers won 84 (2018: 83) awards, more than any other housebuilder for 15 years in a row.

We have continued our construction efficiency programme, increasing the number of total home completions using MMC and we have achieved our target of 20% of total home completions by 2020, one year early. We have now launched a target of 25% of completions using MMC for 2025.

This year we have seen an increase of 7.8% in construction waste intensity to 6.53 tonnes per 100 sq.m. of legally completed build area. When we analyse this trend the increase in tonnage per house build equivalent, (a way of capturing build area that is work in progress) is lower at 3.4%, reflecting our increase in work in progress in FY19 compared to FY20. This is however a 7.9% reduction compared to the baseline in FY15, but still represents a challenge in meeting our 2025 goal.

Key material issues

- Our approach to health and safety.
- Lifetime environmental performance of our homes and buildings we build.
- Having an energy efficient and low carbon supply chain.
- The energy we use and carbon emissions of our operations.
- Waste created by our operations.
- Innovation (MMC).

“ Our quality is recognised through the NHBC Pride in the Job Awards for site management. In June 2019, our site managers won 84 (2018: 83) awards, more than any other housebuilder for 15 years in a row. ”

Operational risk management

Delivering high quality homes

As Britain's largest housebuilder we remain committed to playing our part in addressing the housing shortage. We continue to increase volumes while maintaining our industry leading quality, delivering 17,856 homes (including JVs) in FY19 (2018: 17,579). We believe building high quality homes is a key priority for business resilience over the longer term and attracting ongoing customer demand for our homes.

We put customer satisfaction at the heart of our construction processes with a focus on getting it right first time. This also drives operating efficiencies in the build process. We continue to focus on maintaining safety and quality standards and responding to skills shortages. During the year, we revised and relaunched our Best Practice Guide to ensure the high standards are maintained at every stage of our build processes and are applied consistently throughout the business.

To support this we have continued to consolidate and enhance our new range of housetypes.

We have improved designs and simplified build by removing bay windows and lightboxes from the majority of our Barratt homes. We have also reduced roof pitches, whilst maintaining architectural and design quality and desirability. These changes have minimal impact to the customer experience but significantly increase build efficiencies, both in terms of material and labour costs.

We pride ourselves on the quality of our sites and how they are managed. We understand that sub-contractors and employees prefer to work on well-managed sites. The proper management of any site supports our principle of Keeping people safe. See page 46 for more details.

Innovating to improve efficiency

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

MMC provide opportunities to address the skills shortage facing the industry, diversify the types of materials we use and build at a greater speed and increase efficiency. Our knowledge of these technologies has improved as trials have expanded into major roll-outs. Details of the MMC used during the year can be found in the table below.

MMC	FY19	FY18
Timber frame	2,321	1,683
Roof cassettes	1,699	1,405
Offsite ground floors	718	313
Large format block	242	113
Light gauge steel frame	63	138
Offsite garages	17	7
Total¹	3,609	3,252
Percentage of completions¹	20.2%	18.5%

¹ Total and percentage of completions includes JVs and has been adjusted for homes where more than one technology has been used.



Leading construction continued

Our priorities

“ Increases in customer demand result in further pressures upon the availability of materials. In response, we continue to focus on waste and resource efficiencies. ”

As part of our efforts to encourage the use of MMC, our in-house Group Design and Technical team has visited sites and divisional offices delivering site start and design reviews for MMC and energy efficiency.

We recognise that there is more research to be done in exploring the advantages of MMC, in terms of design, construction, and use through the whole life of a building. Together with our partners we will have the opportunity to explore these benefits through the AIMCH project which is designed to identify and develop industrialised offsite solutions to meet current and future housebuilding demands.

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.

In addition, 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 maintaining our high quality and customer satisfaction requirements.

Waste and resource efficiency

As an industry the demands on materials are high. Increases in customer demand result in further pressures upon the availability of materials. In response, we continue to focus on waste and resource efficiencies. Reductions in waste lessen the environmental and cost impacts of raw material extraction, manufacturing and transportation.

By being more efficient in skip utilisation and segregation, we have maintained our diversion of waste from landfill at 97% (2018: 97%). This year we have seen an increase in construction waste intensity to 6.53 tonnes per 100 sq.m. of legally completed build area (a 7.8% increase from FY18). This is however a 7.9% reduction compared to the baseline in FY15).

Our multi-functional waste reduction project team, sponsored by our Chief Operating Officer, is focused on standardisation to design out waste and employee, (particularly commercial and site construction teams) and supplier engagement, with a view to reducing waste in the future.

We continue to action findings from our 2016 waste analysis study at Saxon Gate, near York. Actions include the installation of insulation, improved kitchen design specifications, and reduced timber joists waste through the use of a reusable stairwell protection system across seven divisions.

This year, we have undertaken a larger comparative study of the waste created by masonry and timber built homes at our Barley Fields and Prospect Rise developments, also in Yorkshire. Waste from these sites, is being analysed to determine the levels of waste created by the different build methods. This will help inform new efficiency initiatives.

Collaboration with suppliers has also produced new opportunities for waste reduction in our business and for efficiencies in theirs. Opportunities have included removing plastic protection on the triangular roof (spandrel) panels between homes in summer months, and removing shrink wrapping from painted fascia. We have worked with timber joist and truss suppliers to ensure only exact timber components are provided and implemented measures to ensure compliance.

We are retendering our waste contract focusing on prevention, recycling and reuse of construction waste.

It is not just on our sites where we are focused on using our resources efficiently. Our 2018 graduate cohort delivered a 'WasteWise' project to reduce waste generated in our offices. The project resulted in the issuance of guidelines, waste reduction checklists, and promoted waste saving opportunities to all our divisions. Other initiatives include the removal of plastic cups from water coolers to avoid disposal of an estimated 89,000 plastic cups each year and the use of glass milk bottles to save an estimated 26,700 single use plastic two-pint bottles annually.

NHBC Pride in the Job Awards

84

(2018: 83)

Percentage of home completions using MMC

20.2%

(2018: 18.5%)

Percentage of construction waste diverted from landfill

97%

(2018: 97%)

Value created for stakeholders

Customer

We build outstanding quality homes for our customers.

Employees and Suppliers

We seek to ensure that our sites are well-managed and safe to work.

Wider Society

Our investment in innovative approaches provides opportunities to address the skills shortage facing the industry, diversify the types of materials we use, build at a greater speed and increase efficiency.

Future focus

We will seek to continue to lead the industry in site management and quality.

In the short term, we will continue to learn more about the potential benefits of MMC through participation in the AIMCH research project. This will assess all aspects of construction and quality, including an analysis of whole life costs and embodied energy.

A quarterly waste data analysis review is to be implemented, and we will seek to extend non-financial data assurance to include waste reduction KPI's.

In the medium term, we aim to increase use of timber frame with additional capacity available following our acquisition of Oregon.

Outcomes from our waste analysis study comparing different build methods will be implemented, with the aim of further reducing our waste intensity and that of our supply chain.

We will continue to engage with suppliers to reduce packaging, particularly around single use plastics.



Investing in our people

Our priorities

The challenge

The housebuilding industry is facing a skills shortage and as the UK's largest housebuilder we are committed to playing our part to help address this shortage and to reduce the impact on our business.

Strategic priority

Our people are the heart of our business and we aim to attract and retain the best people by investing in their development and success. We have well-established apprenticeship schemes to attract the next generation to enter our industry. We seek to create a great place to work, founded on an open and honest culture that embraces diversity and inclusion.

KPIs

Upper quartile employee engagement

82%

(2018: 79%)

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

Risks **D I J**

The skills shortage in our industry means it is of utmost importance to recruit and retain best in class people.

Progress in FY19

Our people are the heart of our business and our continued success has been achieved through the hard work and dedication of our employees. Our future growth is underpinned by our aim to attract and retain the best people and our commitment to playing our part to help address the industry skills shortage.

We have 470 apprentices, graduates and trainees on programmes, around 7% of our workforce. A further 146 apprentices have been recruited in FY19 for our FY20 intake. During the year, average training days per employee increased to 4.7 days (2018: 4.0 days) and we have maintained our upper quartile performance in our engagement survey and reduced employee turnover.

In March, we became the only major housebuilder to be awarded HBF's maximum 5 Star customer satisfaction rating for ten years in a row. In light of this achievement and to recognise our employees' dedication and hard work we have, for the second year in a row, awarded a share award to all employees below Senior Management.

Key material issues

- Development and training of our employees.
- How we recruit and retain the best talent.
- How we are creating opportunities for young people.
- How we are engaging with our employees.
- Our approach to health and safety.
- Promoting the physical and mental wellbeing of our employees.

Operational risk management

The development and training of our employees

We continue to invest in the development and success of our people, helping them to contribute to the long term success of the business.

As the UK's largest housebuilder we are committed to playing our part to help address the industry skills shortage and to reduce the impact on our business. Key to this is developing and training trade and site-based employees which we do through a number of award-winning and established training and development programmes.

“Our future growth is underpinned by our aim to attract and retain the best people and our commitment to playing our part to help address the industry skills shortage.”

Our employee development schemes have delivered 1,162 new apprentices, trainees, graduates and undergraduates into our early career programmes over the past five years.

We continue to expand on our successful Ex-Armed Forces Site Management Transition Programme. We are proud to announce that this programme has won the Heropreneur award during the year and we now have over 90 ex-Armed Forces personnel who are completing or have completed this programme, with a further 51 personnel planned.

We have the first internal industry degree programme in Residential Development Construction and Quantity Surveying. Currently, we have 127 people who have completed, are part qualified or who are studying at Sheffield Hallam University.

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 continuing to deliver an internal NHBC accredited warranty programme.

Whilst we are focused on the development of our site based employees, it is equally important for us to develop all of our people across all aspects of our business.

We want to support our leaders and managers of the future and effective succession planning is an important element in our long term success.

We continue to develop internal talent through our Rising Stars programme which was launched last year and in total over 180 employees have been or are going through the programme. We recognise that diverse teams mean a stronger and more dynamic business. We've launched a number of career development programmes, including Catalyst, which supports future female leaders in our business. The aim is to make our business more inclusive and to reflect the communities we operate in. More detail on our Diversity and Inclusion strategy is provided on page 44 and 45.

Our learning management system enables us to provide enhanced learning and development for all our employees. To make internal training more efficient, and enable more of our people to develop their skills further, we have increased the usage of virtual online classrooms and have a greater focus on digital learning. There were over 35,000 learning activities on our e-learning platform and this is becoming a major part of our Learning and Development programme.

During the year, on average each employee received 4.7 days of training, an increase from 4.0 days last year.

How we recruit and retain our best talent

It is vital for us to recruit the best candidates and to focus upon developing talent within our business to ensure that we have the necessary skills for continued operational delivery and future growth.

Our schemes focus not only on bringing new talent to the industry but also on retaining it for the future. In FY19, we have recruited or have planned to recruit 269 new apprentices, trainees and graduates.

We recently launched our new apprentice programme for all bricklaying and carpentry apprentices. The objective being to achieve apprenticeship level within a reduced timeframe.

We have continued to expand the scope of qualifications under our degree programme with plans to introduce a new technical based degree programme in the future.

We actively participate in the Home Building Skills Partnership which aims to attract new people to housebuilding, 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.

During the year, we have increased our use of technology to attract the best candidates. Recognising the importance of social media in recruitment, we launched a campaign targeting new audiences, demonstrating what it is like to work at Barratt. We have also completed a new career website with an integrated application tracking system to increase the efficiency of the recruitment process.

We focus on remuneration and benefits which is an important element of employee retention. We continue to review our employee packages ensuring these are effective for our employees and we remain competitive.



Investing in our people continued

Our priorities

1,162

New apprentices, trainees, graduates and undergraduates in the past five years

In April 2019, we invited all eligible employees of the Group to participate in the eleventh grant under the Group's Sharesave scheme which allows eligible employees to contribute a maximum of £500 per month in one or a combination of Sharesave schemes. At 30 June 2019, approximately 46% of employees participate in one or more of the active Sharesave schemes. The Sharesave scheme was approved by shareholders at the Company's AGM held in November 2008, and renewed and amended by shareholders at the Company's AGM held in October 2018.

16%

Employee staff turnover

[2018: 17%]

Recruitment and retention will continue to be an ongoing focus for us over the longer term. The Group's employee turnover has decreased during the year to 16% as at 30 June 2019 (2018: 17%).

How we are creating opportunities for young people

We attract our future workforce by reaching out to schools, through great apprenticeships as well as a range of other schemes, including the ASPIRE Graduate Scheme, Sponsored Construction and Commercial Degree and Armed Forces Transition Programme.

Our well-established apprenticeship programme continues to attract young people to join the housebuilding sector and we continue to expand on our Academy and Leadership programmes such as 'Rising Stars' programme for those who are seen as being our leaders and managers of the future.

4.7

Training days per employee

[2018: 4.0 days]

How we are engaging with our employees

We seek to create a great place to work, founded on an open and honest culture. We understand that to continue to improve this we need to engage with our employees on a regular basis so we can understand their issues and concerns and address them. Our annual employee engagement survey is in the upper quartile performance at 82% (2018: 79%), with participation levels the highest since the survey began. The feedback received is used to take action and devise improvement measures going forward.

We have also introduced a Workforce Forum of employee representatives from all areas of our business consulting with Senior Management on matters that affect the workforce as a whole. See page 24 for more details.

15%

Females in senior manager roles

[2018: 13% females]

Promoting the physical and mental wellbeing of our employees

The health, safety and wellbeing of our employees is a fundamental priority. During the year we devised a strategy for enhancing mental health awareness throughout the business and maintained programmes for healthy workplaces. We will be further enhancing these areas with specific training and support initiatives. More details are covered under our Keeping People Safe section on page 46.

Diversity and Inclusion

We aim to create a fair working environment that embraces diversity and inclusion. We recognise that housebuilding has not traditionally been the most diverse industry both in terms of gender and ethnicity. Our long term focus is to recruit and retain people with different backgrounds, beliefs, lifestyles and skills and ensure our business is representative of the communities in which we operate. We know more diverse teams mean a stronger and more dynamic business.

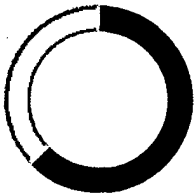
We have an active working party focused on delivering our Diversity and Inclusion strategy. Target areas such as gender and ethnicity have been identified and our aim is to improve in all areas over the next two years. We recognise that flexible working can help us retain talented employees and can be particularly beneficial for those with caring responsibilities. 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 83.

We are committed to 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. We are also committed to ensuring that our workplaces are free from discrimination and that everyone is treated with dignity and respect. We strive to ensure that our 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.

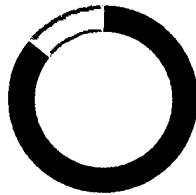
Male and female employees

PLC Directors



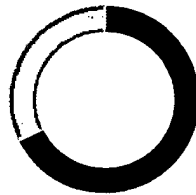
	2019	2018
■ Male	62.5%	56%
Total	5	5
■ Female	37.5%	44%
Total	3	4

Senior Managers



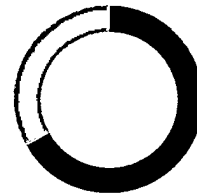
	2019	2018
■ Male	85%	87%
Total	247	251
■ Female	15%	13%
Total	43	36

Employees



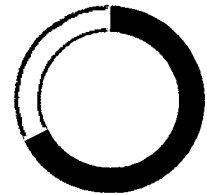
	2019	2018
■ Male	69%	69%
Total	4,288	4,152
■ Female	31%	31%
Total	1,918	1,882

Executive Committee



	2019	2018
■ Male	67%	67%
Total	4	4
■ Female	33%	33%
Total	2	2

Reports to Executive Committee



	2019	2018
■ Male	68%	76%
Total	21	22
■ Female	32%	24%
Total	10	7

Every effort is made to retain and support employees who become disabled while 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.

In April 2019, we published our second Gender Pay Gap report. The report identifies that as a Group, our mean pay gap stands at 6.0% and our median pay gap at 3.5%, which is low compared to the mean gender pay gap across the UK of 17.1%. Our mean bonus gap stands at 42.6% with our median bonus gap at -15.3%. Our negative median bonus gap exists because our sales team, which has a high proportion of female employees, has pay structures which include a significant bonus percentage. We will continue to work hard to close our gender pay gap and ensure 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 Nations Universal Declaration of Human Rights and the UN Guiding Principles of business and human rights and we ensure we act in accordance with our principles in relation to diversity and the Modern Slavery Act 2015. Concerns can be raised anonymously to our whistleblowing process, details of which can be found in the Audit Committee report on page 91.

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.

We have a strict anti-bribery and corruption policy and conduct our business in a fair, open and transparent manner. All employees are required to undertake training under our anti-bribery and corruption policy at regular intervals.

Value created for stakeholders

Employees

Our continued success and growth is achieved through the hard work and dedication of our employees. We aim to attract and retain the best people by investing in their development and success, recognising our employees' dedication through share awards and ensuring our employee packages are effective and competitive.

Customers

By ensuring our employees have the right skills at all levels, we will continue to provide excellent award-winning service and build quality homes for our customers.

Wider society

We comply with relevant Government and Regulator guidelines including the Health and Safety regulations, Gender Pay Gap Reporting and Diversity and Inclusion.

Future focus

In the short term, we will continue to implement further attraction campaigns to attract the best candidates to join us. We will continue to focus on high potential employees development through our Rising Star programme and create more opportunities for young people by extending our apprenticeship offer and including non-trade disciplines.

We recognised the learning curve is shorter for our ex-employees who have had our training and development previously. In order to encourage these past employees to return to Barratt.

To further build on our employees training programme we will continue to enhance our digital learning offer including more accessibility through mobile devices.

Our long term focus is our Diversity and Inclusion strategy to ensure our business is representative of the communities in which we operate and our programmes focus on addressing the skills shortage in our industry.



Keeping people safe

Our principles

The challenge

To ensure our operations are incident and injury free and we have a positive health impact on all those employed and affected by what we do.

Our principle

Health and safety is a core business value and a fundamental priority. We are committed to achieving the highest industry health and safety standards for which all of our people are responsible.

KPIs

Health and safety (SHE audit compliance)

96%

(2018: 96%)

Why we measure

- To demonstrate compliance with safety standards on our sites
- Lead indicator highlighting areas of SHE focus

Risks **1** **2**

Health and safety or environmental breaches could cause harm to individuals, potential reputational damage, criminal prosecution and civil litigation, delays in construction or increased costs.

Progress in FY19

We continue to prioritise and focus on health and safety across our business and seek to manage the inherent risks in the construction process by applying our management system and continuously reviewing our safe systems of work. During the year we achieved the maximum 5 Star status as part of the British Safety Council Occupational Health and Safety Audit. Our new BDW Cambridgeshire division will go through this accreditation process in FY20. Our housebuilding divisions, other than our new division in Cambridgeshire, are certified to OHSAS 18001 (all are moving towards ISO 45001 as part of their next assessments) and ISO 14001; BD Living, our bespoke wardrobe supplier, is also certified to these standards. We will be working with our Cambridgeshire division and Oregon, over the next year, to ensure their processes meet these standards.

In order to ensure that health and safety procedures are adhered to, compliance with our SHE management system is verified by a programme of site monitoring and internal and external audits. Our SHE audit compliance scores and IIR are assured in accordance with ISAE 3000 revised.

Key material issues

- Our approach to health and safety.
- Promoting the physical and mental wellbeing to our employees.

Operational risk management

Our approach to health and safety

We believe all injuries are avoidable and whilst 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. We maintain stringent standards and have a continuous focus on health and safety with all areas and levels of the business.

To reflect our commitment to continuously improving our policies and processes, during the year we updated the SHE management system to ensure compliance with new health and safety standard ISO 45001. We have undertaken a new campaign this year to raise awareness of good housekeeping on sites to reduce risk.

As part of our engagement with our supply chain, we held 26 seminars during the year to engage with Groundworks sub-contractors and enhance their standards of management. A number of initiatives are being considered based on feedback from sub-contractors and we will be reviewing how these can be implemented over the next year.

In conjunction with key suppliers, we evaluated the risk of falls during construction and in particular the risk during construction from open stairwells. Following a detailed review with our suppliers, proprietary platforms for stairwell protection have been developed, which are being rolled out across our business.

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 6,916 (2018: 6,895) monitoring visits and achieved an average compliance rate of 96% (2018: 96%). We have also completed internal audits of all our operating divisions which are assessed against criteria to ensure that our management system is clearly understood by our management teams.

Following an increase in the Group's IIR rate in 2018, we worked with management teams to drive improvements in the prevention of injuries. The Group IIR rate for the year is 297 (2018: 462) per 100,000 persons employed (including sub-contractors). We were pleased to see a reduction in the IIR rate for the year; however, we will continue to focus on improvements in this area to reflect our business's commitment.

We have continued to operate our 5 Steps to Safety Campaign (Stand Back/Take time to review/ Evaluate the Risk/ Plan the Task/

Keep People Safe) and during the year have reviewed and restructured our health and safety training strategy for employees at all levels within our business.

Despite our best efforts, in June 2019, one of our sub-contractors was fatally injured at our North West division's site at Stapeley Gardens in Nantwich. Our deepest sympathies are with his family, friends and colleagues. We are cooperating fully with the Health and Safety Executive during its ongoing investigation.

Promoting physical as well as mental wellbeing

We are committed to health promotion by encouraging our people to adopt healthier lifestyles. This commitment is underpinned by individual responsibility within a corporate framework, promoting and supporting good practice to comply with legislation and addressing key workplace risk to mental and physical health.

We have continued with our strategy to improve the focus on occupational health including awareness campaigns linked to the wellbeing of our workforce. Information has been provided on mental wellbeing and raising awareness of general health issues that could affect our workforce. We will be further enhancing these areas with specific training and support initiatives over the next year.

We have also enhanced our drugs and alcohol policy and have continued with a programme of random sampling and responding to suspicion reports across the business.

Value created for our stakeholders

Employees and sub-contractors

As the nation's largest housebuilder, a key priority is to provide a safe working environment for all our employees and sub-contractors. We are committed to achieving the highest industry health and safety standards and the wellbeing of our people is a key element of our strategy.

Future focus

We will work with our Groundworks sub-contractors to improve the use of plant on our sites and consider ways in which the interface between plant and pedestrians can be improved.

Our work on enhancing our health and wellbeing strategies will continue by providing mental wellbeing training for those in line management roles with the aim of providing guidance on identifying signs of potential issues with themselves and colleagues.

We will enhance our site teams' ability to report incidents and near misses by working on the provision of an App to enable more efficient capture of information and images. This will increase the speediness of response time to incidents and information will be utilised to consider any learning or enhancements to our policies and procedures.



Being a trusted partner

Our principles

The challenge

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

Our principle

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

Risks **B E H J**

Failure to maintain sufficient material and skilled sub-contractor availability may lead to increased costs and delays in construction, which in turn, would affect our financial position.

The inability to secure sufficient consented land and strategic land options at appropriate cost and quality would affect our financial position.

Progress in FY19

During the year, we secured several key partnerships with landowners such as Homes England.

Barratt remains focused on developing best in class supplier relationships with our supply chain. We are the only major developer to consistently run a Supply Chain Conference, attended by all of our Group Suppliers. During FY19 we entered into a three-year research project collaborating with a number of our partners, aimed at identifying and developing industrialised offsite solutions which are needed to meet current and future housebuilding demands.

Key material issues

- The lifetime environmental performance of our homes and buildings we build.
- Having an energy efficient and low carbon supply chain.
- Our approach to health and safety.
- Innovation (MMC).

Operational risk management

Working with our partners to build homes

We are committed to delivering high quality, sustainable, energy efficient places to live that satisfy the needs of customers and communities. Key to this is ensuring we provide quality housing in the right locations to create communities that are right for our customers. It is vital that we have a good relationship with landowners and other partners to ensure we are their developer of choice.

We continue to work with private landowners, operators and agents to identify and bring forward land for development. Our experienced divisional land teams actively engage with our stakeholders to ensure we are the developers of choice. We have a comprehensive Group Partnerships Policy to ensure proper engagement with our key land partners and stakeholders. In FY19 we updated our Affordable Housing Guide to support divisions in partnering with Registered Providers.

During the year, we started to deliver homes on our Kings Quarter and Saviours Place sites in Pewterspear, Warrington, working together with Homes England. Both Barratt and Homes England have a shared strategic objective to use more MMC in the delivery of homes which is a more cost-effective

“ We have entered into a three-year research project collaborating with a number of our partners, aimed at identifying and developing industrialised offsite solutions which are needed to meet current and future housebuilding demands. ”

Barratt achieved Gold status with the Supply Chain Sustainability School. In addition, we were the first national housebuilder to sign up to the Gangmasters Labour Abuse Authority Construction protocol, helping us share and receive information and training materials to present modern slavery. We are also a signatory to the Prompt Payment Code.

It is a condition of all our supplier and sub-contractor contracts that they comply with the Bribery Act and our anti-bribery and corruption policy which is available on the Group's website.

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

Innovation with our suppliers

During FY19 we have entered into a three-year research project collaborating with a number of our partners, Stewart Milne, London & Quadrant Housing Trust, Tarmac, the Manufacturing Technology Centre, the Construction Scotland Innovation Centre and Forster Roofing Services. The Advanced Industrialised Methods for the Construction of Homes (AIMCH) project aims to tackle challenges currently facing the housing sector, including skills shortages, an ageing workforce, poor productivity, low output and low affordability. The project aims to identify and develop industrialised offsite solutions which are needed to meet current and future housebuilding demands such as low embodied carbon emissions.

In addition, we have successfully rolled out a flooring solution across the business this year: 718 homes have been constructed using a high performance offsite precast flooring system. Our Group Design and Technical team partnered with our suppliers Nu-Span to develop a product solution to meet our business's needs. We continue to apply our New Product Introduction process to introduce innovative suppliers with new systems.

and efficient method of construction. It is hoped the project will provide a better understanding of how MMC could be used in the future for both Barratt and Homes England while also providing much needed homes for the area in an efficient manner.

Working with our suppliers

We recognise our suppliers and sub-contractors are critical to the delivery of our strategic objectives and we invest in our relationships with them. We engage in continuous communication with our suppliers holding regular performance and business reviews, focusing on our ongoing relationship and health and safety. We are committed to providing a safe place in which our employees and sub-contractors can work.

Barratt operates a model of centralised procurement for the majority of our construction materials, site equipment and business consumables. This arrangement enables us to manage both cost, sustainability specifications and supplier relationships effectively. 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. We have a 'supplier evaluation and development programme' in order to improve this dialogue.

Value for stakeholders

Suppliers

Suppliers and sub-contractors are critical to our business success, carrying out the majority of construction on our sites and providing the materials and services we require for our operations. It is therefore essential for us to build long-lasting, good relationships that make us the developers of choice to work and partner with.

Wider society

We engage with local authorities and other key Government agencies to understand their priorities and needs and ensure we build quality homes in the right locations.

Future focus

We will continue to work and engage with a variety of partners to bring forward land for development.

In the short term, we will continue developing our partnerships offsite solutions to ensure successful roll-out and we will continue to develop our business know how to incorporate the changes successfully.

We aim to attain living wage status for suppliers and sub-contractors by FY21.

Over the medium term, we will work with our current offsite partners on more advanced forms of MMC. This is being led at our Homes England Pewterspear site through our AIMCH project which will investigate and develop industrialised offsite solutions to meet housing demand.

In FY20 we will launch a new science based carbon reduction target which will encompass purchased goods and services.

We also plan to continue the deployment of our strategic supplier capability assessment, a process designed to work with our suppliers in highlighting and addressing potential supply performance risks to ensure deliverability and reliability of suppliers.



Building strong community relationships

Our principles

The challenge

To ensure our work creates a positive legacy that helps local communities to thrive. To build strong communities in our developments.

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.

Raised and donated to charities in the year

£2.9m

[2018: £1.2m]

Jobs supported

47,360

[2018: 45,080]

Local contributions

£665m

[2018: £553m]

Risks **B D F J**

Failure to build strong community relationships could lead to negative reputational impact.

Progress in FY19

During the year, we have raised over £2.9m for national and local community charities and supported 47,360 jobs. In FY19 we provided more than 3,800 school places and handed over 13 local facilities to communities, including sports and leisure, health, youth and community centres.

Operational risk management

Building strong communities in our developments

Without local identity and supporting infrastructure, developments are just houses as opposed to homes. This is why we put so much time and investment into building strong community relationships.

Across the country we have also made over £665m in local contributions and physical works contributions for section 106 or equivalent agreements and the Community Infrastructure Levy to benefit local communities through affordable homes, highways, environmental and other improvements. Taken all together, we provided some £3.0bn of Gross Value Added to the UK's economic output and supported 47,360 jobs this year.

We put great emphasis on working closely with children and young people in local

schools as they play such a big part in any community. We go to schools to teach children about health and safety, construction and sustainability, and about careers in the construction industry.

Charitable giving

Aligned with our principle to create a positive legacy, we are committed 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.

During the year, we launched the Barratt & David Wilson Community Fund to help our divisions do more for local organisations and charities which matter to them. Our operating divisions and Group support functions are able to donate £1,000 each month to a local charity or organisation working to improve the quality of life for those living in their area. In FY19, £155,000 was donated to local charities and organisations.

Since the fund launched in January 2019, we've seen some great charitable activity across the Group. Our divisional team in Bristol combined their community fund donation with their volunteering day, with employees lending a hand to a local homeless charity in Bristol. The team were involved in a wide range of tasks from clearing an area of the site through

“ Our operating divisions and Group support functions are able to donate £1,000 each month to a local charity or organisation working to improve the quality of life for those living in their area. ”

to painting. This was a good opportunity for them to learn more about the charity which is transforming old containers into homes while people wait to access permanent residences and is a vital resource in the city.

We also support the dedication, energy and enthusiasm of our employees across the country raising money for their chosen charities each year. In addition to divisional charity matching, we have introduced individual charity matching. When an employee raises £1,000 for a registered charity, it is matched by the Group; £77,000 has been raised and matched in the year.

We encourage all of our employees to take paid time off work to volunteer in their local communities. 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 and enhanced by our new communities. During 2019, 150 employees will complete the 'Big Barratt Hike' with an aim to raise £100,000 for Mind and the British Heart Foundation, the two charities chosen by members of the Workforce Forum.

Nationally, we teamed up with the 'Kidz Board', a group of eight young people

representing Whizz-Kidz across the country. Members of Kidz Board visited our developments across the UK looking at the accessibility of communal areas and produced a list of recommendations for improving the accessibility of our sites. Around £64,000 in total was donated to Whizz-Kidz including over £40,000 raised by employees running in the London Marathon.

During the year, we made our largest ever corporate donation of £750,000 to RBLI, and provided cost and construction expertise for a new centenary village. The RBLI provides vital employment support, advice and homes to Britain's ex-Armed Forces, particularly those who are wounded, injured or sick. In addition, they offer a range of employment support services helping individuals with disabilities and the long term unemployed into sustained and rewarding work. RBLI is also the chosen charity for this year's graduate project.

We have entered into a new three-year partnership with St Mungo's, a homeless charity. We will be donating a total of £500,000 to help fund the expansion of their innovative 'Putting Down Roots' training

programme. This programme uses social and therapeutic horticulture to support the recovery of homeless people with mental health challenges. The partnership began with an additional £60,000 donation to the charity's social lettings service to fund two Housing Management and Lettings Officers for a year.

Value created for stakeholders

Employees

Providing a framework for fundraising offers team building, health and wellbeing benefits.

Communities and wider society

We seek to ensure our work creates a positive legacy and helps local communities thrive.

Future focus

We look forward to continuing our long term partnerships with our charitable partners and are committed to supporting more charities in the future.



Safeguarding the environment

Our principles

The challenge

The global challenge of climate change has implications for every nation and industry sector. The UK Government's response to this challenge, achieving net-zero carbon emissions by 2050, will impact construction processes and the built environment where people live. In addition, there are interconnected environmental concerns over air quality, water resources and habitats that are likely to feature in new legislation encompassing biodiversity and then wider environmental net gain.

Our principle

Our operations should be energy efficient and low carbon, minimising air pollution and water use. We aim to build homes and places that are adapted to climate change with reduced carbon emissions over their lifetime. We seek to enhance local habitats and biodiversity on developments.

KPIs

**Carbon intensity
(per 100 sq.m. of legally
completed build area)**

2.21

(2018 (restated): 2.28)

Why we measure

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

Risks **B E F G H I J**

Changes to Government regulation and planning policy could impact the way we design our developments and deliver our homes. There are also risks associated with climate change and the use of new technology and materials in the build process, including materials related to carbon reduction.

2019

Greenhouse gas emissions (tonnes CO ₂ e) ¹	Scope 1 Direct	Scope 2 Energy indirect	Scope 3 Other indirect	Total	Carbon intensity tCO ₂ e per 100m ²
Building homes	22,224	3,420	291	25,935	1.52
Building other properties	27	35	483	545	0.03
Administrative activities	2,381	1,447	7,107	10,935	0.64
Share of joint ventures	200	114	15	329	0.02
Total location based	24,832	5,016	7,896	37,744	2.21
Total market based	24,832	3,411	7,896	36,139	2.12

¹ see page 202 for our Greenhouse Gas Emissions Disclosure and a detailed description of our operational boundary

Progress in FY19

Operational carbon emissions

We have reduced our carbon emissions relative to build area during FY19 by 3.1%, a 21.6% reduction since 2015. Overall, our absolute carbon emissions for scope 1, 2 and 3 emissions have decreased by 4.4% during the year. The decarbonisation of the UK electricity mix over the past year has accounted for 2.6% of this reduction. Other changes, including initiatives relating to our offices and business travel, contributed to the remaining 1.8%.

The use of diesel on site accounts for 59% of our scope 1 and 2 carbon emissions. We are taking steps to reduce this by trialling initiatives such as low carbon generators and challenging suppliers and divisions to ensure diesel generators are correctly specified for developments.

The market based carbon reporting method takes our electricity purchasing decisions into account and 46% of our scope 2 electricity is backed by REGO certificates. All offices where we control supply were moved to a renewable tariff in October 2018, representing 66% of our office electricity in FY19. We have REGO certificate backed energy for 37% of the electricity supplied to sites, show homes and sales offices.

Our energy and carbon information has limited assurance to the ISAE 3000 revised standard, which is available

at www.barrattddevelopments.co.uk/sustainability/our-publications.

Our construction waste relative to build area has increased by 7.8% in FY19 measured on housing completions and 3.4% measured on build activity including work in progress, which has reduced our progress on waste reduction since 2015 to 7.9%, against our 2025 target of 20%. We diverted 97% of our construction waste from landfill against our 95% target. See more details on pages 38 to 41, Leading Construction.

We seek to create a net gain for biodiversity in design across all new developments where there is no prior planning permission from 2020. See more details on pages 36 and 37, Great Places.

Key material issues

- The energy use and carbon emissions of our operations.
- Having an energy efficient and low carbon supply chain.
- Waste created by our operations.
- The lifetime environmental performance of the homes and buildings we build.

Operational risk management

The energy use and carbon emissions of our operations

The need for industry decarbonisation to meet the Government net-zero target

2018 (restated)

Scope 1 Direct	Scope 2 Energy indirect	Scope 3 Other indirect	Total	Carbon intensity tCO ₂ e per 100m ²
22,170	4,526	423	27,119	1.57
18	13	344	375	0.02
2,534	1,910	7,143	11,587	0.67
244	145	13	402	0.02
24,966	6,594	7,923	39,483	2.28
24,966	4,992	7,923	37,881	2.19

requires robust data to make the right decisions, and to track progress. We are committed to introducing a science-based carbon emission target in FY20, which makes the scoping of our emissions and basis of reporting increasingly important.

We have aligned data collection for mandatory carbon reporting with accounting and reporting requirements, formalising and embedding policies and procedures in our Group and divisional finance teams. This, and a review of carbon emission factors used in calculations, resulted in a restatement of our 2018 carbon emissions. We will continue to make improvements going forward. Our Corporate Sustainability and Group Finance teams have received training on Mandatory Carbon Reporting and Streamlined Energy and Carbon Reporting (SECR).

Our indirect carbon footprint: supply chain emissions and low carbon homes

We aim to use our influence to reduce indirect emissions through goods and services we purchase and from carbon emissions released from energy use during the lifetime of our homes. In FY19 we have quantified our priority scope 3 emissions and will integrate this into our future science based target.

Through industry bodies and engagement with policymakers directly, we are contributing to discussions on low carbon future homes,

for example, through the Homes Builders Federation Futures Group and the UK Green Building Council's Housing Standards Group. We have also attended Government panels on the topic of energy efficiency.

Waste, air quality and water use

Construction, excavation and demolition waste amounts to 61% of all UK waste¹. Recent months have seen increased public concern and scrutiny over the issue, in particular with single use plastics. Waste also puts pressure on the raw material availability and our Waste Reduction Group monitors waste performance regularly. See Leading Construction on pages 38 to 41.

Air quality is of increasing concern in major cities, with larger cities such as Manchester and London consulting on and introducing in-depth strategies on how to tackle the issue. We can play our role in improving air quality through measures to reduce diesel use on site before utility connection and through the efficiency of mobile plant.

Through building partnerships with water companies, we are laying the basis for addressing regional water shortages that are likely to be exacerbated through climate change by exploring customer and infrastructure solutions.

Biodiversity

We have contributed to Government discussions over policy on creating net gains for biodiversity on new developments, and have worked with research groups and professional associations to develop guidance and principles that can be used for the industry, testing a sample of our own developments to establish the costs and practical implications of achieving net gain. More information is available in the Great Places section of this report on pages 36 and 37.

Value created for stakeholders

Shareholders

Through improved data collection and carbon reduction initiatives we can reduce transitional risks for investors and provide transparency expected as a result of TCFD recommendations. The Bank of England plans to stress test financial institutions for their investment exposure to physical and transitional risks along the lines recommended by the TCFD. This will lead to more scrutiny from investors in the areas of carbon emission reduction activities and the climate risks inherent in their investments.

More information on how we are mitigating and adapting to climate change can be found in our annual disclosure to the CDP Climate Survey (cdp.net). We scored a B grade in 2018.

Customers and communities

By considering operating efficiencies through process and technological improvements we can reduce diesel use. This has potential not only to reduce energy costs and carbon emissions for our business, but also reduce noise, air pollution and the risk of diesel spills, to the benefit of local communities and our customers.

Suppliers

The process of setting a science-based target will help us to identify opportunities to lower embodied carbon in our materials and our supply chain as they also transition to a low carbon economy and mitigate associated risks and costs.

Future focus

In the short term, we will continue to focus efforts on reducing site diesel use. Initiatives will include the roll-out of renewables and battery enabled generation for new site starts. We will engage site teams and use telemetry data to track and reduce idling time.

We will continue to roll out LED lighting and energy improvements to heating and air conditioning across the office portfolio, complete more rigorous energy efficient checks in our office inspections, reduce business travel using remote working technologies and will increase the proportion of our electricity backed by REGO certificates for sites, sales offices and showhomes.

Over the medium term to 2025 we will lead research and collaboration with our suppliers to deliver viable solutions that meet the proposed Future Homes Standard and our customer needs.

Longer term, with new and improved information on our direct and indirect energy use and emissions, our science-based target will set out a long term trajectory for decarbonisation aligned with the latest IPCC report. This will ensure the business is focused on the right strategic priorities to maximise carbon emission reduction.

¹ DEFRA (2016) UK Statistics on Waste.



Ensuring the financial health of our business

Our principles

The challenge

Maintain a strong balance sheet underpinned by clear financial principles providing resilience and flexibility to react to changes that arise in the operating environment.

Our principle

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

Risks **A B C D E F G H I J**

Availability of sufficient committed and surety facilities provides resilience for the Group to respond to changes in the economic environment and take advantage of appropriate land buying and operational opportunities to help deliver sustainable shareholder value.

	Operating framework	30 June 2019
Land bank	c.3.5 years owned and c.1.0 year controlled	3.9 years owned and 0.8 years controlled
Land creditors	30 – 35% for 30 June 2019 Reduce usage to 25 – 30% over the medium term	31.3%
Net cash	Modest average net cash Year end net cash	Average net cash of £298.3m 30 June 2019: net cash of £765.7m
Treasury	Appropriate financial facilities	See Treasury section
Capital Return Plan	2.5× dividend cover Ordinary dividends supplemented by special returns when market conditions allow	See Capital Return Plan section

Business resilience

The Group has a clear operating framework that is focused on building and maintaining a resilient business model to enable the delivery of sustainable shareholder returns. We believe financial discipline across our key drivers

enables the Group to deliver its operational targets of disciplined volume growth, margin improvement and cash returns whilst maintaining our industry leading standards of customer and build quality.

Key drivers of our business resilience:

Key drivers	Financial discipline
Financial discipline across all aspects of our operations	Land Maintenance of strong financial control environment Improvement of operating margin
Strong balance sheet position	Compliance with operating framework Cash generation
Appropriate capital structure	Overall gearing Capital Return Plan Treasury
Taxation	Tax strategy

Financial discipline across all aspects of our operations

Land

We continue to target a regionally balanced high quality land portfolio and to hold an appropriate land bank of c.3.5 years of owned land and c.1.0 year of controlled land. This level of land ownership supports our aspirations of disciplined volume growth whilst maintaining our focus on return on capital. To support this aspiration and given the excellent land opportunities during the year, we currently hold 3.9 years of owned land and 0.8 years of controlled land in good locations where customers want to live.

Across our regional business our land teams use their expertise to identify suitable, high quality sites that will enable us to create great places for our customers. Our Land Committee approves all land purchases to manage capital allocation, risk and ensure commercial, operational and financial matters are considered in depth. In addition, we continue to secure strategic land and have a medium term aim to achieve 30% of home completions from this source.

Maintenance of a strong financial control environment

The Group has a clear organisational structure with embedded financial and management reporting systems and controls. More detail on these can be found in the Audit Committee Report on pages 84 to 91.

Our principal financial operational risk is the valuation of land and work in progress. In order to determine margin recognition, the Group has to make a number of estimates on future costs and sale prices. The Group's key control is the site valuation process where these assessments are determined. Through this cross functional control process, management review build programmes, challenge site margins, review forecast sales prices and consider costs to complete in depth. More detail on these can be found on pages 84 to 91. We are currently piloting a new valuation system to improve efficiency and further strengthen controls around the valuation process.

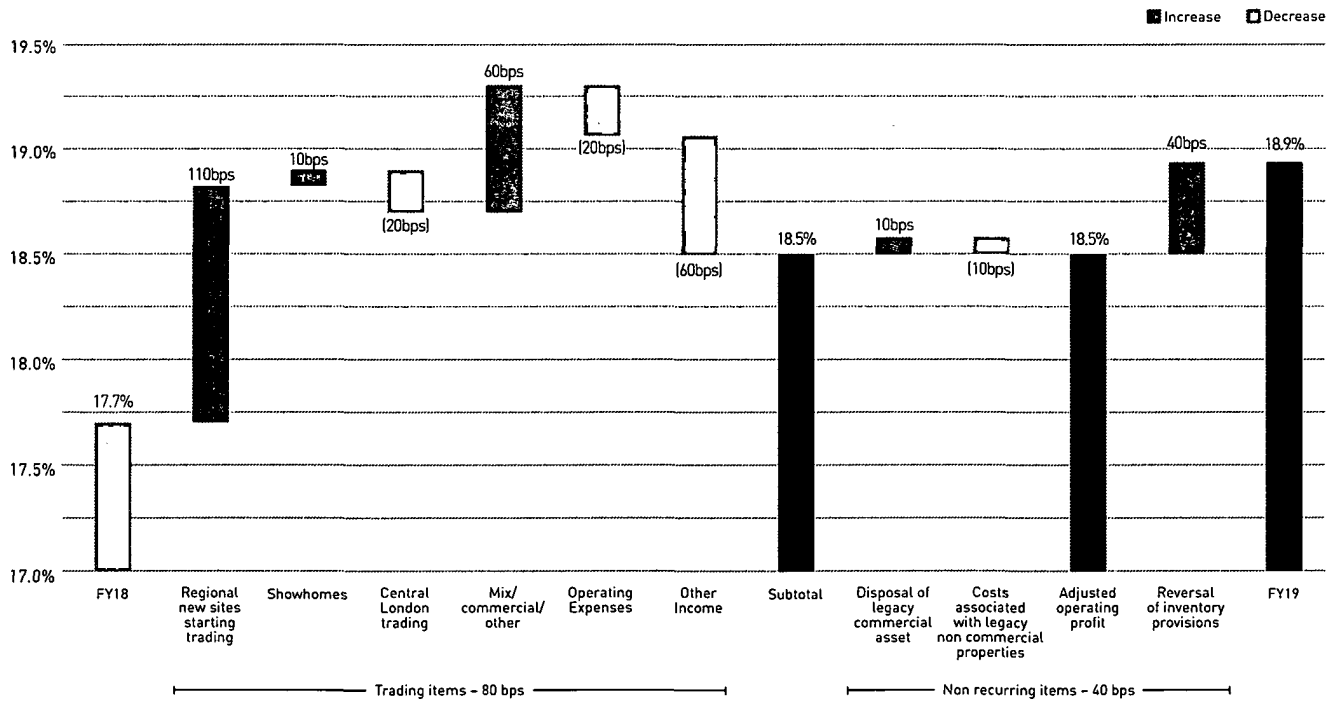
In addition, we have robust controls across the other financial aspects of our operations including, but not limited to, tendering, authorisation and payment of sub-contractors and suppliers; forecasting of working capital requirements and covenant compliance; sales policies and review of pricing and joint ventures performance and control.

Improving operating margin

We believe our industry leading customer service and build quality is not only the right thing to do for our customers, but is also fundamental to improving the efficiency of our operations. Operating margin is a medium term target of the Group, with ongoing weekly, monthly and yearly reporting on forecasts and budgets closely reviewed and monitored across our business. We have implemented a number of levers to improve margins and continue to focus on improving the efficiency of our operations, whilst maintaining customer service and quality, generating sustainable returns for our shareholders.

Operating margin bridge

The drivers of our operating margin improvement from FY18 to FY19 were:





Ensuring the financial health of our business continued

Our principles

Strong balance sheet position

Compliance with operating framework

We have a strong operating framework to maintain an appropriate capital structure. Shareholders' funds and land creditors are used to fund longer term investment, while working capital is funded from existing cash resources as the business operates with modest average net cash, supported by bank facilities.

Cash generation

Cash generation remains high through effective working capital management and operational controls. In order for the Group to fund its ongoing operational commitments, we have strong controls and discipline on working capital management, checks and controls including weekly and monthly cash flow forecasting. We maintain a modest average net cash over the financial year, and had £765.7m net cash as at 30 June 2019.

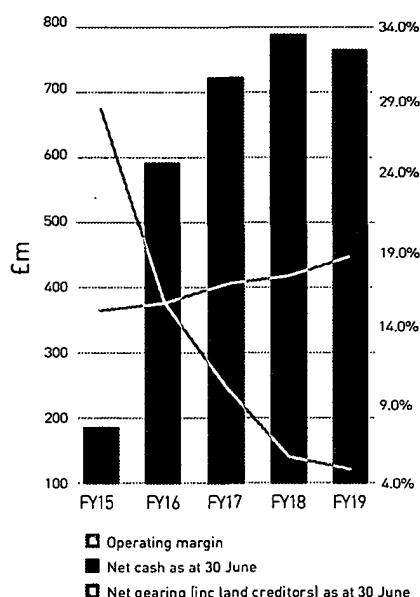
Appropriate capital structure

Overall gearing

In order to continue to reduce gearing and further strengthen our balance sheet, the Group is committed to reducing our usage of land creditors to 25 – 30% of the owned land bank in the medium term. We are making good progress against this: at 30 June 2019 our land creditors stood at 31%, a reduction from 34% in 2018.

We are focused on ensuring that we manage our total gearing and against our operating framework. Since June 2013 total gearing including land creditors has reduced substantially from 35% to 5% at 30 June 2019.

Improving business resilience



Capital Return Plan

We have a well-defined dividend policy, with the Group paying an ordinary dividend cover of 2.5 times. We have previously announced that when market conditions allow, ordinary dividends will be supplemented with special returns. For more details please refer to page 18 and 19.

Treasury

Relationships with banks and cash management are coordinated centrally as a Group function. The Board approves Treasury Policy and Senior Management control day-to-day operations. The Treasury Policy is intended to maintain an appropriate capital structure and provide the right platform for the business to manage its operating risks. More detail on Treasury Policy is included in note 5.4 to the Financial Statements.

Tax strategy

While 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 2019 was £170.4m (2018: £164.0m).

The Group does not enter into business transactions which are for the sole purpose of 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 2019 was 18.7% (2018: 19.6%) which is marginally lower (2018: higher) than the standard effective rate of tax of 19.0% (2018: 19.0%).

Risk management

Process for identifying our principal risks

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, including at site, divisional and regional level. We evaluate risks, how these have changed over time and what actions are being taken to mitigate them. They are then fed into the Group's detailed risk register which also includes a number of cross-functional Group wide risks.

Risks are reviewed by divisional and regional management 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.

Strengthening our framework

During the year, the Group's risk framework has been further strengthened. The Risk Committee, which met three times during the year, has expanded the breadth of its membership. At each Risk Committee, updates on principal risk areas are presented as well as a consideration of new and emerging risks and an ongoing review of mitigating actions. The Chairman of the Audit Committee routinely attends meetings in order to provide independent challenge to the risk management process.

The Risk Committee has, during the year, created the, 'Data Protection and Technology Crisis Risk Sub-Committee', specifically focused on managing, evaluating and taking action against data protection and technology risk. This sub-committee comprises both members with specialised understanding of technology risks and Senior Management.

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, 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, medium 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 page 58.

Risk appetite

The risk appetite for the Group is set by the Board. It has 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 and other stakeholders.

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.

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 59 to 64 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.

Climate change risk

As explained more fully in 'Our sustainability focus areas' climate change presents an ever increasing focus for both the Government and wider society. For our business, the risk from climate change presents itself in a number of principal areas. Transitional risks and opportunities are those relating to actions the business takes to meet the challenge of operating in a net zero carbon economy. These include the risks to construction from the use of new technology and materials aimed at reducing carbon emissions. These risk areas are embedded within the Group's risk management process in a number of areas, including Construction, Availability of raw materials, sub-contractors and suppliers and Government planning and regulation. Physical risks and opportunities relate to changing climate, which can impact on the comfortable heating of homes and the ability of developments to withstand extreme weather events such as heavy rainfall.

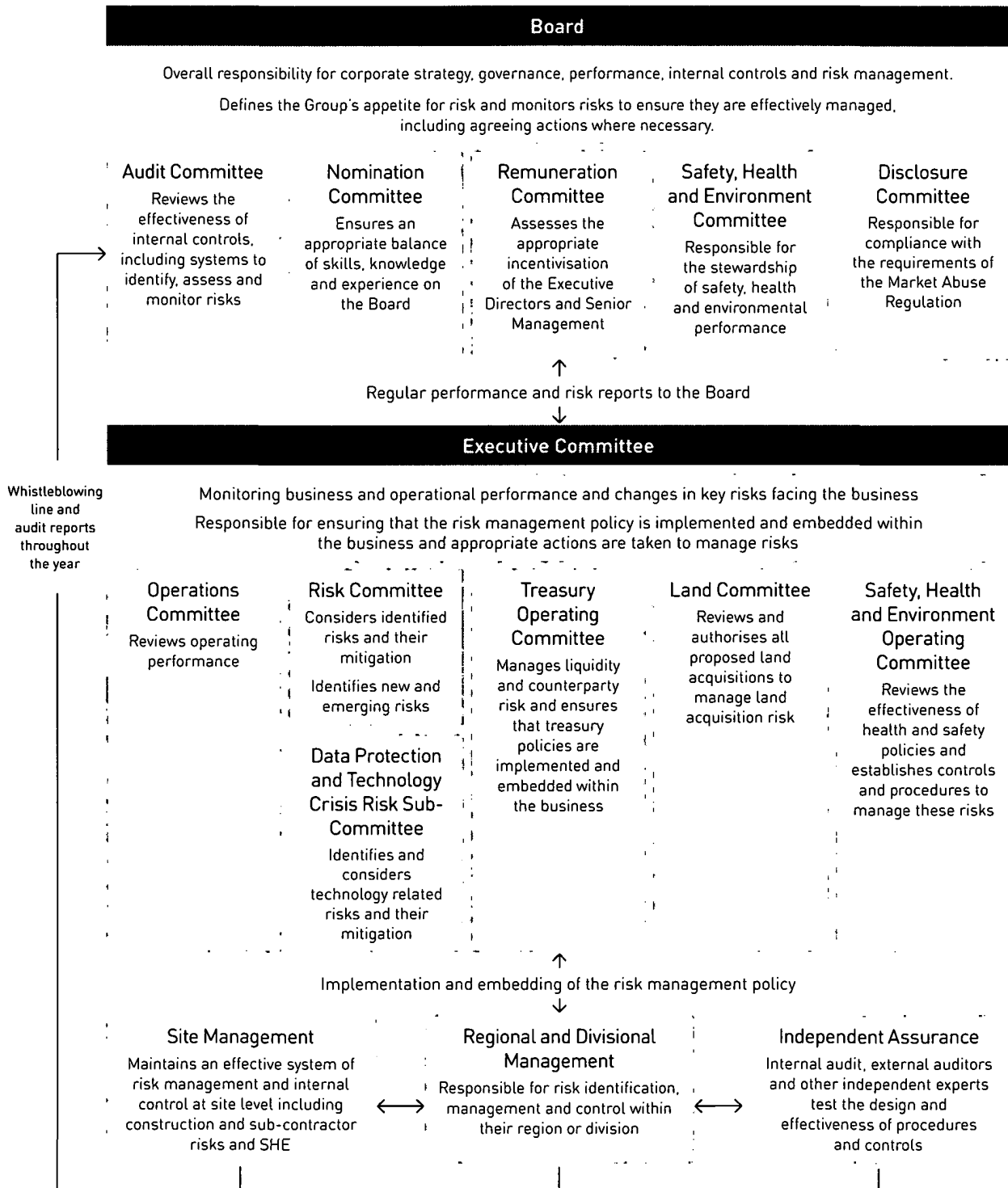
Failure to address the risks from climate change or not follow climate related regulation could further increase the overarching risk to the Group's reputation. Inclusion within the Group's risk management process means climate change risk and its potential impact is carefully monitored and mitigated.

As a business, we are focused on minimising the operational impact of our business and improving the energy efficiency of our sites and operations, mitigating climate change through the design and build of our homes and developments and by working with our suppliers to reduce carbon in our supply chain. More information can be found in our online Climate Change Policy and our annual submission to the Carbon Disclosure Project, available at www.cdp.net.

Risk management

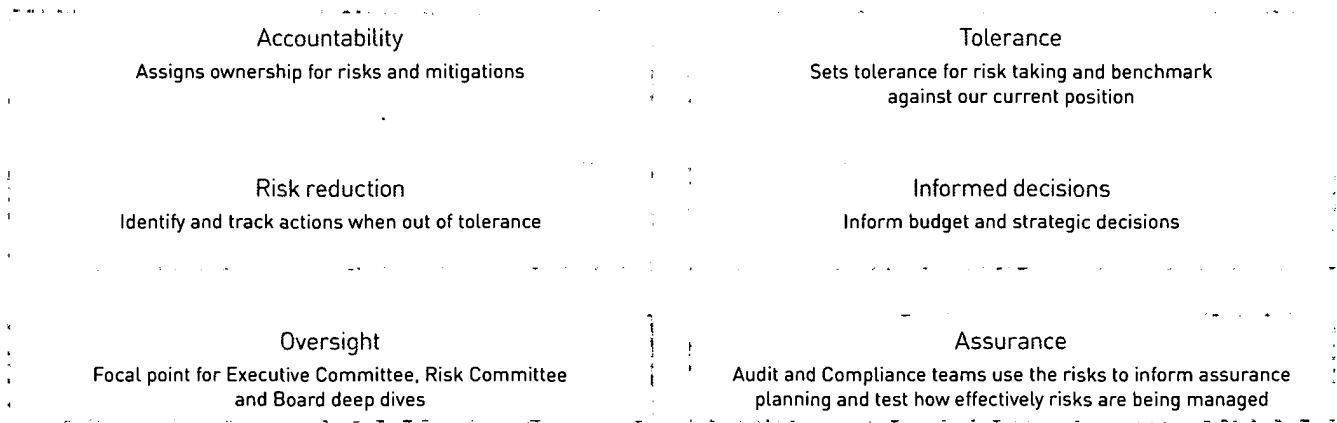
continued

Monitoring risk throughout the Group



Principal risks

What we do with our principal risks



Risk level/appetite High risk Medium risk Low risk Change in risk level from previous year Increase Decrease No change

Economic environment, including housing demand and mortgage availability

Risk level Risk appetite Link to strategic priorities and principles Change from previous year

Risk description	Description of risk level	Response/mitigation	Key risk indicators
<p>Changes in the UK and European macroeconomic environments including, but not limited to, the impact of the UK's forthcoming exit from the EU and any change or removal of the Government's Help to Buy scheme, flat or negative economic growth, inflation, interest rates, buyer confidence, mortgage availability, competitor pricing and falls in house prices or land values.</p> <p>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 may lead to falling demand or lower prices achieved for homes, 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.</p>	<p>The impact of the UK's forthcoming exit from the EU has heightened uncertainty in the wider macroeconomic environment over the last year. There is also an increased level of political uncertainty in the UK. Against this, however, sales rates and the housing market have remained stable. The new build market continues to be characterised by undersupply, low interest rates and good mortgage availability. The economic outlook will depend on the form of the UK's EU withdrawal in the medium term.</p>	<ul style="list-style-type: none"> • 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. • Planning for the impact of the UK's forthcoming exit from the EU and adapting the businesses' operations as necessary. 	<p>Gross and operating margins, PBT, ROCE, EPS, TSR, total home completions</p>

Principal risks

continued

B Land availability

Risk level Risk appetite Link to strategic priorities and principles Change from previous year

Risk description	Description of risk level	Response/mitigation	Key risk indicators
<p>The inability to secure sufficient consented land and strategic land options at appropriate cost and quality.</p> <p>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.</p>	<p>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. The hurdle rates for land purchases were increased in FY18 to help support margin growth and ensure we remain selective on acquisitions.</p>	<ul style="list-style-type: none"> 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, landowners and local authorities. Review by Land Committee and management on strategic land and sites. Land forum and academy training events. Increased usage of strategic land. 	<p>Land approvals (plots)</p>

C Availability of finance and working capital

Risk level Risk appetite Link to strategic priorities and principles Change from previous year

Risk description	Description of risk level	Response/mitigation	Key risk indicators
<p>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, JVs and the cash flows related to them.</p> <p>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).</p>	<p>In November 2018 the Group extended its £700m RCF until 2023 with the option to extend this further by two one-year extension options. In addition, the Group holds £200m of fixed rate USPP notes until 2027.</p> <p>The Group has £765.7m net cash and net assets of £4,869.0m as at 30 June 2019.</p>	<ul style="list-style-type: none"> Committed bank facilities and private placement notes of around £900m with maturity on the RCF in 2023 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 £150m of drawings against committed facilities. Maintenance of an appropriate capital structure and balance sheet control. 	<p>Average net cash</p>

D Attracting and retaining high-calibre employees

Risk level Risk appetite Link to strategic priorities and principles Change from previous year

Risk description	Description of risk level	Response/mitigation	Key risk indicators
<p>The ability to recruit and/or retain a sufficient number of employees with the appropriate skills.</p> <p>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.</p>	<p>There continues to be ongoing competitiveness for employees in the operational business, including from new entrants to the market. The Group has implemented a number of initiatives to improve employee retention and engagement.</p>	<ul style="list-style-type: none"> 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. 	<p>Employee engagement score</p>

E Availability of raw materials, sub-contractors and suppliers

Risk level Risk appetite Link to strategic priorities and principles Change from previous year

Risk description	Description of risk level	Response/mitigation	Key risk indicators
<p>Shortages or increased costs of materials and skilled labour, the failure of a key supplier or the inability to secure supplies on appropriate credit terms.</p> <p>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 financial position.</p>	<p>There continues to be pressure on the availability of certain build materials and a shortage of skilled labour in the housebuilding industry.</p> <p>The impact of the UK's forthcoming exit from the EU on the ongoing supply of skilled labour and imported materials is currently uncertain. Around 10% of the Group's materials, by spend, are imported and a further 30%, by spend, contain some imported components.</p> <p>Changes in legislation in FY20 have the potential to change processes for the Group and its sub-contractors.</p> <p>The risk level has reduced during FY19 as additional capacity of our key materials and components has become available in the UK. In addition, the Group acquired Oregon to secure our timber frame supply. Where appropriate we have entered into longer term arrangements to ensure supply continuity over an extended period. In the current climate, particular attention has been given to negotiating such arrangements where imported goods are involved.</p>	<ul style="list-style-type: none"> 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. The Group has 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 contingency plans, should any key supplier fail. Control of build and material costs throughout build programmes. All key suppliers have confirmed that they have plans in place to seek to minimise disruption on the UK's exit from the EU. In June 2019 the Group acquired Oregon. 	<p>Customer service, gross and operating margin, PBT, ROCE, EPS, TSR, total home completions</p>

Principal risks

continued

F Government regulation and planning policy

Risk level Risk appetite Link to strategic priorities and principles Change from previous year





Risk description	Description of risk level	Response/mitigation	Key risk indicators
<p>Changing complex regulatory environment which affects planning and the time taken to obtain planning approval and technical requirements including Building Regulations.</p> <p>Securing sufficient, appropriate planning permissions on new sites will enable the Group to deliver disciplined volume growth. Changes to the regulatory environment could affect our financial position.</p>	<p>Following the introduction of the NPPF in 2012, planning permissions granted in England have increased. However, the planning process remains lengthy and complex.</p> <p>Other potential regulatory changes may impact how we design our developments and deliver and sell our homes.</p> <p>Changes to Building Regulations and Fire Safety Regulations may occur as a result of the Government's consultation on reforming the building safety regulatory system following recommendations from the Independent Review of Building Regulations and Fire Safety, the impact of which is currently unknown.</p>	<ul style="list-style-type: none"> • 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 change. 	<p>Gross and operating margin, PBT, ROCE, EPS, TSR, total home completions</p>

G Construction

Risk level Risk appetite Link to strategic priorities and principles Change from previous year

Risk description	Description of risk level	Response/mitigation	Key risk indicators
<p>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, exposure to environmental and unadopted site infrastructure liabilities. There are also risks associated with climate change and the use of new technology and materials in the build process, e.g. materials related to carbon reduction.</p> <p>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.</p>	<p>The Group's construction process and policies have remained unchanged in the last year. The Group continues to expand the use of new product ranges which maintain our high standards of design while it simplifies the build, helps us to reduce build cost and waste and are more suitable for MMC.</p>	<ul style="list-style-type: none"> • 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, 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. • Technologies new to Barratt go through a rigorous testing and analysis process before full implementation. 	<p>Customer service, total home completions, gross margin, operating margin, PBT, ROCE, EPS, construction waste intensity and carbon intensity reduction</p>

H Joint ventures and consortia

Risk level  Risk appetite  Link to strategic priorities and principles  Change from previous year 

Risk description

Large development projects, some of which involve joint ventures or consortia arrangements and/or commercial developments, are complex and capital intensive.

Securing more JV sites that meet our hurdle rates enables disciplined volume growth. Engaging with JVs assists in reducing and sharing risks on complex, capital intensive, bespoke and commercial developments. Changes in complex developments may negatively impact on cash flows or returns.

Description of risk level

Our investment in JVs is £189.0m (2018: £234.1m) a reduction from the previous year. The Group sold its investment in the Aldgate Place JV in June 2019 and there are some active JVs which are due to finish trading in FY20.





Response/mitigation

- All potential JVs are subject to formal appraisal and approval by the Group's Land Committee and the Board.
- Once operational, the performance of JVs and consortia are subject to regular review.

Key risk indicators

ROCE, total home completions

I Safety, health and environment

Risk level  Risk appetite  Link to strategic priorities and principles  Change from previous year 

Risk description

Health and safety or environmental breaches can result in incidents affecting employees, sub-contractors and site visitors.

We continue to prioritise and focus on health and safety to seek to reduce injury rates and manage the risks inherent in the manufacturing and construction process. SHE breaches could cause potential reputational damage, criminal prosecution and civil litigation, delays in construction or increased costs.

Description of risk level

There was a fatal incident on one of the Group's sites in June 2019. The Group continues to focus on health and safety including ensuring consistent controls are in place to reduce accidents and injuries.

The Group IIR rate for the year is 297 (2018: 462) per 100,000 persons employed (including sub-contractors).

Response/mitigation

- Internally resourced health and safety team.
- Regular health and safety monitoring by our in-house team, internal and external audits of all operational units and regular Senior Management reviews of developments.
- Continued reinforcement of Group SHE policies and procedures.
- Dedicated SHE 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.
- Independent reviews of our SHE processes.

Key risk indicators

Health and safety (SHE audit compliance)

Principal risks

continued

 IT

 Risk level  Risk appetite  Link to strategic priorities and principles – ALL Change from previous year 

Risk description	Description of risk level	Response/mitigation	Key risk indicators
<p>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.</p> <p>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.</p>	<p>The threat of external cyber attacks and phishing attempts continues to increase with a number of high profile incidents being reported in the media during the year.</p>	<ul style="list-style-type: none"> Centrally maintained IT systems. Fully tested disaster recovery programme. Regular reviews to seek to reduce the risk of successful cyber attacks. Business processes and data management which are GDPR compliant. There is an ongoing review and governance approach, including a specific Data Protection Risk and Technology Crisis Committee to assess our risks and implement mitigating actions. Group-wide compliance and policies on passwords and transferring data to third parties. 	<p>Customer service, gross and operating margin, PBT, ROCE, EPS</p>

Long term viability statement

In accordance with provision C.2.2 of the Code, the Directors have assessed the prospects and financial viability of the Group over the longer term, taking into account both its current position and circumstances, and the potential impact of its principal risks. The Group's future prospects are primarily monitored through the risk management processes detailed on page 57 and 58.

For the Long term viability statement, the Directors consider that a three-year review period is appropriate. This 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. Additionally, 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 c.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.

The Group considers it is subject to a number of principal risks (as set out in more detail in pages 59 to 64), and its Long term 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 in current market conditions. The high profile risks with severe but plausible impacts were modelled over the three-year period by changing assumptions in the Group's forecasts. The scenarios tested were as follows:

Principal risk	Risk Reference	Scenarios modelled
Economic environment, including housing demand and mortgage availability	A	A sudden decline in demand leading to reduced sales volumes and sales prices, increased costs for materials and labour, and increased finance costs, followed by a gradual recovery, arising, for instance, as a potential consequence of the UK leaving the EU on unfavourable terms.
Attracting and retaining high-calibre employees	D	An increase in build and administration costs arising from inefficiency. An increase in costs incurred on completed developments and a delayed reduction in sales volumes. Additional provisions are required for defects and legal costs.
Cost and availability of raw materials, sub-contractors and suppliers	E	An increase in the cost of material and labour and an extended average build time for houses.

Each scenario included the Capital Return Plan as announced, including the November 2019 and November 2020 special returns.


Where necessary, in each scenario, mitigating actions were modelled that would be adopted by the Group in response to these risks. The modelled mitigating actions were based on those identified and successfully deployed during the previous downturn in 2007-2008.

Under the above scenarios, the Group is able to continue in operation and meet its liabilities as they fall due in the assessed period.

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 the three-year period.

The Strategic Report on pages 2 to 65 was approved by the Board and is signed on its behalf by:

David Thomas
Chief Executive
3 September 2019



Executive Committee

The Executive Committee consists of:

1 David Thomas
Chief Executive

➔ See page 68.

2 Steven Boyes
Deputy Chief Executive and
Chief Operating Officer

➔ See page 68.

3 Jessica White
Chief Financial Officer

➔ See page 69.

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 in 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 and is now a member of the new CITB Nation Council for England.

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, having 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 69.

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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. He is also now responsible for the operations at Oregon.

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 six 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 three 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 Énnis Regional Managing Director, London and Southern

Gary is responsible for the Group's operations in the London and Southern Region which consists of six divisions.

Career and experience:

Gary joined the Group in 1995. Formerly Managing Director of Barratt North London he was appointed Regional Managing Director of Southern in January 2006 and of London in October 2016.

13 Nick Richardson Managing Director, Wilson Bowden Developments

Nick is responsible for our 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.

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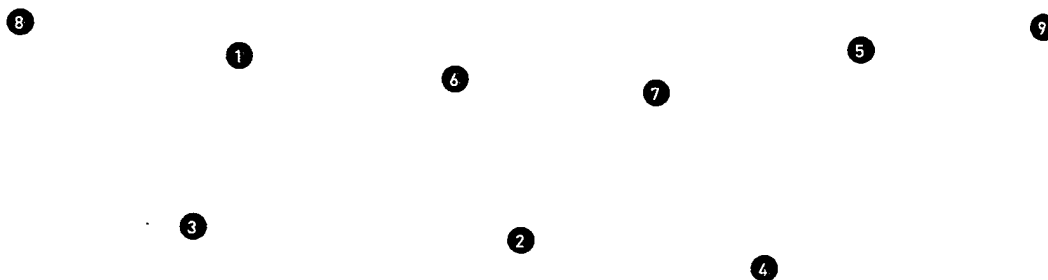
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10

The Board

We have an experienced and committed Board which continues 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. He will become the Chair of the Council at Imperial College from 1 January 2020. 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 Chairman (2011-2016) and then Non-Executive Director (2016-2018) of Worldpay plc. John was also a Non-Executive Director of Royal Mail PLC (2013-2015), National Grid plc (2005-2011), 3i plc (2009-2011) and of various other public companies in the UK, Germany and Denmark. His other previous appointments 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 (Telefonica UK). 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 and will be stepping down from both positions at the end of September 2019 as he has completed his nine year tenures. Jock was previously Senior Independent Director of Oxford Instruments plc (2009-2016) and Non-Executive Director and Chairman of the Audit Committees of Dixons Carphone plc (2012-2018) and 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 will be stepping down from Ofcom at the end of the year to become Chairman of the John Lewis Partnership. Sharon 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 for 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:

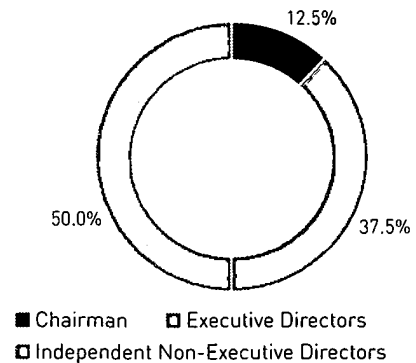
Member of the Disclosure Committee.

Career and experience:

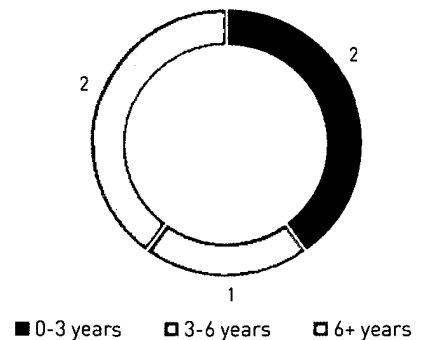
Tina joined the Group in 2008 as Assistant Company Secretary, and was promoted to the role of Deputy Company Secretary in 2011. Prior to this, Tina held various Company Secretarial positions within the private and professional services sectors including TMF Corporate Secretarial Services Limited and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

Board composition, diversity and experience as at 30 June 2019

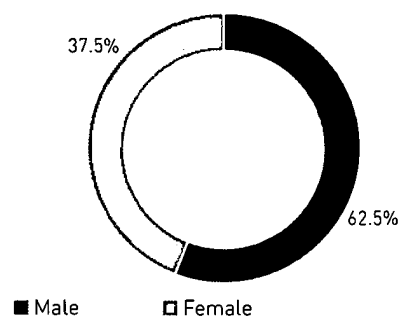
Board composition



Non-Executive Director tenure (including the Chairman)



Gender split (including the Chairman)



➔ See page 83 for details on Board diversity

➔ See pages 44 to 45 for details on diversity in the workforce

Corporate governance report

Introduction and Overview

“ Good corporate governance
is the foundation of our success. ”

John Allan
Chairman

Leadership	<p>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. The Non-Executive Directors provide an appropriate level of scrutiny, constructive challenge and support to all proposals, including those relating to strategy, performance, responsibility, accountability and sustainability taking into account the interests of stakeholders as a whole. This enables Board decisions to be well considered. Board processes are in place to ensure adequate oversight of the implementation of decisions.</p>	<p>This section details:</p> <ul style="list-style-type: none"> 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 FY19; its main focus areas for FY20; and the recruitment and induction process for new Directors. 	<p>➔ See pages 71-75</p>
Effectiveness	<p>Your Board regularly 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, that of its Committees as well as that of individual Directors. This evaluation is facilitated by an external third party every third year.</p>	<p>This section outlines:</p> <ul style="list-style-type: none"> the progress made on the actions arising from the internal evaluation for FY18; and the process and outcomes of the externally facilitated evaluation for FY19. 	<p>➔ See pages 76-78</p>
Accountability	<p>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 Group's strategic objectives.</p>	<p>This section details:</p> <ul style="list-style-type: none"> 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. 	<p>➔ See page 79</p>
Stakeholder Engagement	<p>Your Board recognises the importance of maintaining open dialogue with its various stakeholders. Events and communications take place throughout the year to maintain regular contact with stakeholders and receive feedback on all areas of the business, including governance, operational processes and Executive Directors' remuneration.</p>	<p>This section summarises:</p> <ul style="list-style-type: none"> how the Board and individual Directors engaged with stakeholders throughout FY19; and how stakeholders can communicate with the Company. 	<p>➔ See pages 22-29</p>
Remuneration	<p>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. The Policy is designed to promote the long term success of the Group. No changes are proposed to the Policy for FY19.</p>	<p>This section sets out:</p> <ul style="list-style-type: none"> a summary of the Group's Remuneration Policy; how the policy operated during FY19; how it will be applied in FY20; and the remuneration outcomes for FY19 based on the Company's performance. 	<p>➔ See pages 94-117</p>

Corporate governance report

Leadership

Corporate governance statement

The Board confirms that during the year ended 30 June 2019, and as at the date of this report, the Company has fully applied the provisions of the Code issued in 2016. This report, together with the other statutory disclosures and the reports from the Nomination, Audit, SHE and Remuneration Committees, provides details of how the Company has applied the main principles and complied with the provisions of the Code during the year under review (pages 70 to 117). The Board welcomes the changes introduced by the New Code published in July 2018 to enhance long term success and trust in businesses. The New Code will apply fully to the Company in the financial year ending 30 June 2020. During the year under review, the Board, together with its advisers, has assessed its position under the New Code and has been working towards applying the Principles as set out in the New Code and the associated guidance. The Board will provide full disclosure of how it has applied the Principles during the financial year ending 30 June 2020 in its report for that year. Copies of both these codes are available from www.frc.org.uk. The Company has also complied with the relevant requirements of the Disclosure Guidance and Transparency Rules, the Listing Rules, Directors' Remuneration Reporting regulations and narrative reporting requirements.

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'. The composition of the Board, including the names, responsibilities and other details of each of the Board Directors, is set out on pages 68 and 69.

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. The review of Directors' conflict of interests confirmed that none of the Non-Executive Directors has any business or other relationship 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 FY19 annual review of the Chairman's effectiveness, the Non-Executive Directors led by Richard Akers, as Senior Independent Director, considered John's other business 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 at 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 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 114 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** below.

Table 1 – Board membership and attendance for FY19

Member	Role	Number of meetings attended
John Allan	Chairman	8/8
David Thomas	Chief Executive	8/8
Steven Boyes	Deputy Chief Executive and Chief Operating Officer	8/8
Jessica White	Chief Financial Officer	8/8
Richard Akers	Senior Independent Director	8/8
Nina Bibby	Non-Executive Director	8/8
Jock Lennox	Non-Executive Director	8/8
Sharon White	Non-Executive Director	8/8

Note:

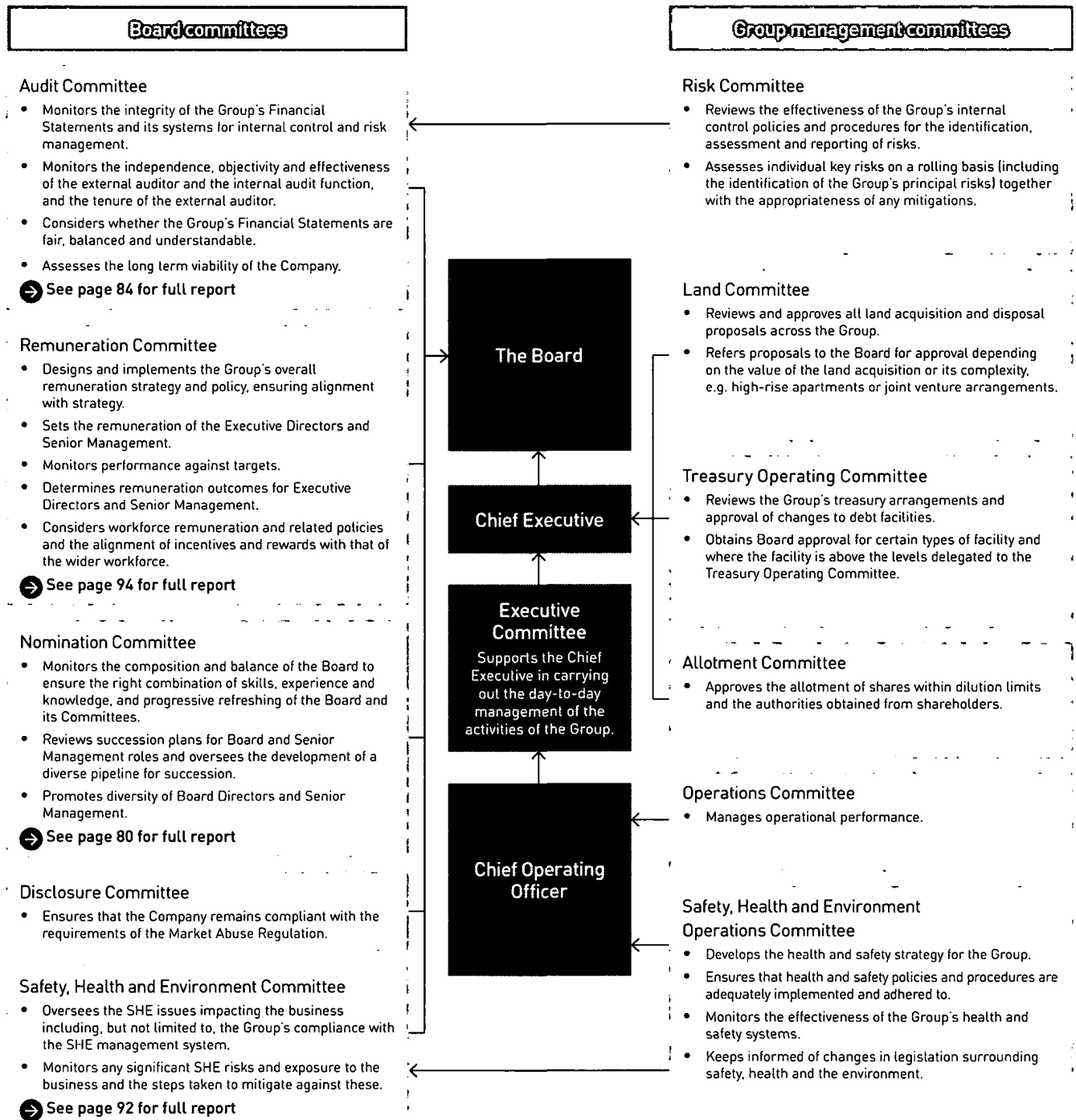
X/ Number of meetings attended whilst a Director.

/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.barrattddevelopments.co.uk/investors/corporate-governance.



Board roles and their responsibilities

Chairman John Allan	<ul style="list-style-type: none"> Leads the Board in the achievement of its objectives, sets its agenda and chairs its meetings. Shapes the culture in the Boardroom. 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 inductions and 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	<ul style="list-style-type: none"> 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 the Group's 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. Oversees 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	<ul style="list-style-type: none"> Responsible for the Group's 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	<ul style="list-style-type: none"> Devises and implements the Group's financial strategy and policies. Responsible for the management of the Finance, Tax, Internal Audit, Treasury, Legal and Investor Relations functions. Supports the Chief Executive with his corporate relations responsibilities with shareholders and other stakeholders. Manages the Group's relationship with the external auditor.
Senior Independent Director Richard Akers	<ul style="list-style-type: none"> In addition to his role and responsibilities as an Independent Non-Executive Director, the Senior Independent Director is available to shareholders, when required, to: <ol style="list-style-type: none"> address any material issues or concerns which the Chairman and/or Chief Executive have failed to resolve; and listen to their views 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. Provides a conduit from the workforce to the Board as the designated Non-Executive Director for workforce engagement.
Independent Non-Executive Directors Nina Bibby, Jock Lennox and Sharon White	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Supports the Chairman and Chief Executive in fulfilling their duties especially in respect of induction, training and Board and Committee effectiveness evaluations. 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 FY19

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 an appropriate risk and control framework, adequate resources and appropriate values and standards are in place to deliver its strategy.

Strategy and management

- Held detailed strategy sessions 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 significant land investments/transactions and conducted post investment appraisals.
- Received internal and external presentations on the wider housing market.
- Considered and approved the acquisition of Oregon.

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 on shareholder matters.
- Reviewed and approved the 2018 AGM Notice.
- Met with shareholders at the 2018 AGM.
- Reviewed the 2018 AGM proxy voting figures.
- Considered presentations from the business regarding emerging trends in customer expectations.
- Considered progress towards greater diversity in the workforce.
- Individual Directors attended various stakeholder meetings, such as the Workforce Forum.

Further details on Stakeholder Engagement are provided on pages 22-29.

Other

- Visited sites within the Scotland, Central and Northern regions.
- Individual Directors visited various divisions to meet management and employees to understand their perspective of the Group's operations.
- Reviewed and approved the FY20 fees for the Non-Executive Directors.

Induction

No new Directors were appointed during the year under review. The Group operates a robust, formal induction programme for all new Executive and Non-Executive Directors. The induction programme is designed to assist the Directors to familiarise themselves with the business, its culture, and the roles and responsibilities of the Board and each member of Senior Management.

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 the recommendation of the Audit Committee.
- Undertook six-monthly in-depth health and safety reviews.
- Reviewed the crisis management process.
- Reviewed Brexit contingency planning.

Financial reporting and controls

- Reviewed monthly reports on performance against budget and forecast.
- Reviewed and approved the proposed budget and 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 2018 Annual Report and Accounts.
- Reviewed dividend policy, approved the payment of an interim dividend and agreed to recommend payment of a final dividend and special dividend under the Capital Return Plan.
- Reviewed and renewed the Group's revolving credit facility.
- Reviewed and approved process for the 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 Group 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.

Environmental, social and governance

- Received updates on changes and potential changes in regulations and assessed their impact, including the New Code.
- 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 Modern Slavery Statement and sustainability policies.
- 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 in light of the New Code requirements.
- Reviewed the Group's operating structure to ensure it remains fit for purpose.

Board composition and effectiveness

- Considered and approved the re-appointment of Nina Bibby as a Non-Executive Director and Jock Lennox as a Non-Executive Director and Chairman of the Audit Committee.
- Reviewed, considers and updated potential conflict of interest at each meeting and conducted a more detailed annual review.
- Undertook an externally facilitated evaluation of the Board, its committees and the individual Directors.
- Discussed and reviewed management and Board succession plans.

Board visits

Each year the Board visits two regions which are selected on a rotational basis. During FY19 the Board visited the Scotland, Central and Northern Regions. 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, analysis of the diversity of their workforce and other

operational matters. The site visits enable the Board to interact with employees to gain an understanding of any issues that they may be facing, establish how diversity and inclusion is being embedded in the business, as well as gaining a better insight into the processes involved in building houses, attracting customers and selling the homes we have built. During 2019, the Board also met in the East London divisional office, to meet the team there and view the new office.

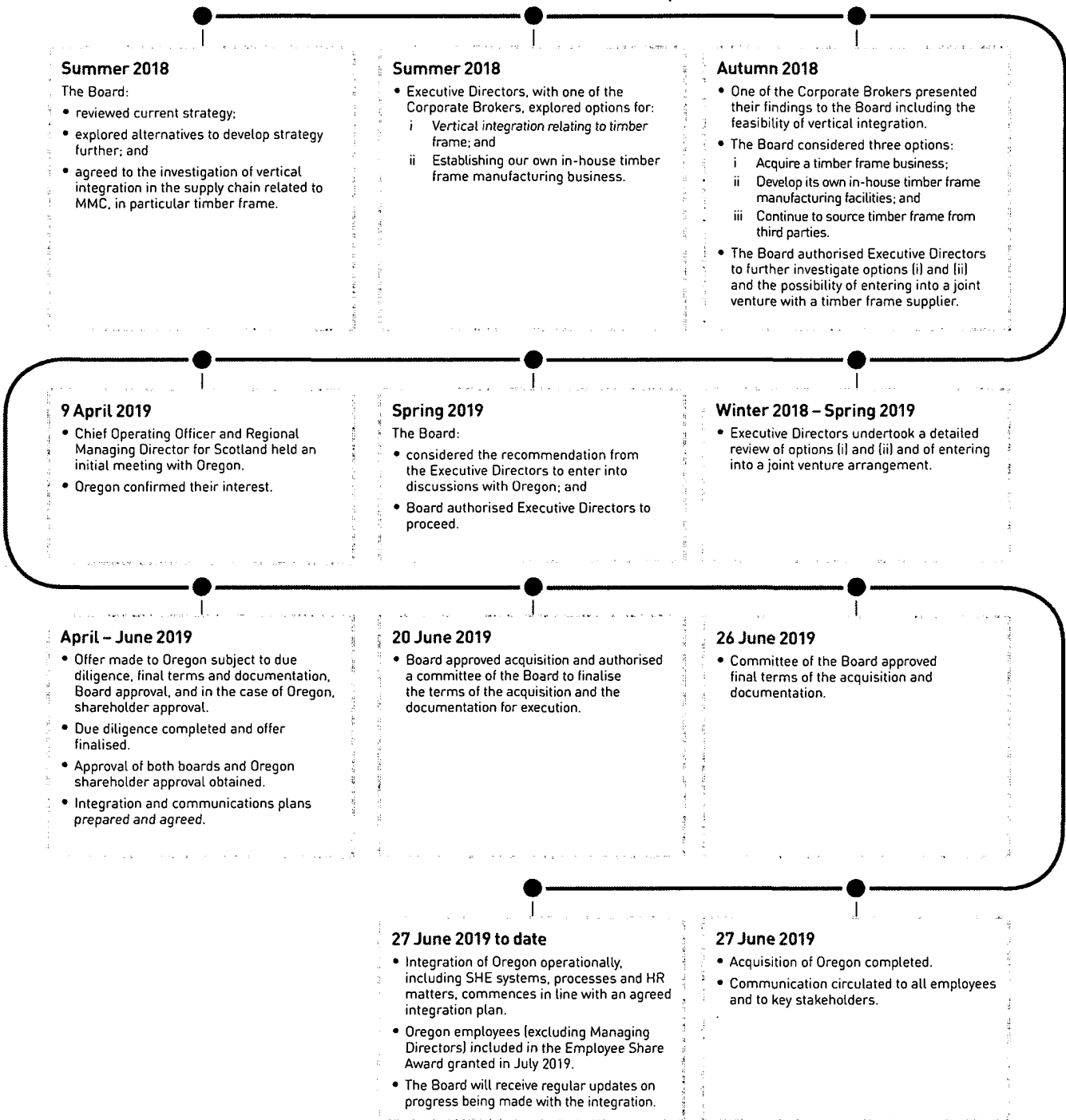


Strategy in action

Acquisition of Oregon

In June 2019, the Group announced that it had acquired Oregon, a supplier of timber frame for housing.

The below timeline highlights the key actions and decisions of the Board in identifying, pursuing and implementing its strategy to utilise MMC more to increase volumes, thereby promoting the success of the Company. This strategy was developed taking into account feedback received from various stakeholders.



Corporate governance report

Effectiveness

Board and Committee evaluation

Each year, the Board undertakes a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. At least every three years, the Board undertakes an externally facilitated evaluation. Having previously undertaken an externally facilitated evaluation in FY16, the Board appointed Oliver Ziehn of Linstock to facilitate the evaluation this year. Neither Oliver Ziehn nor Linstock have any other connection with the Company.

Progress on FY18 evaluation

We reported the outcomes of the internal Board evaluation for the last financial year in the 2018 Annual Report and Accounts. Details of progress made on these are set out below.

Table 2 – The Board

	Strategy	MMC	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 MMC 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 MMC 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.
Progress made in FY19	The Board undertook a detailed review, with the assistance of external advisers, to assess its current strategy and identify future opportunities. These will be explored further during the course of FY20.	The business continues to be encouraged to increase its utilisation of MMC. In FY19, the Group acquired Oregon, one of the leading timber frame manufacturers in the UK. During FY20 we will work towards integrating Oregon into the business and also continue to work closely with our supply chain to identify new and innovative ways of working.	The Non-Executive Directors met with the Chief Executive to discuss long term succession plans.

Table 3 – The Committees

	Nomination Committee	Audit Committee	Remuneration Committee
FY18 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.		
FY18 Areas of improvement	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	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, PwC, to provide regular updates on the wider remuneration environment and its potential impact on the Group.
Progress made in FY19	A meeting was held between the Nomination Committee and the Chief Executive in November 2018. The discussion centred around potential succession plans for Directors and Senior Management and included an update on the assessment of development activity. It also included an update on the wider workforce currently progressing through various internal talent and development programmes.	Jock Lennox, Chair of the Audit Committee attended a Risk Committee meeting during the year to gain insight to how the Committee is operating and the areas/ topics that it discusses. The intention is for Jock to continue to attend at least one Risk Committee meeting each year.	The Chair of the Remuneration Committee, the HR Director and the Company Secretary engaged regularly with PwC throughout FY19 on various matters relating to remuneration, including the new requirements introduced by the New Code and changes to best practice.

FY19 Board performance evaluation

The Board evaluation for the year under review was facilitated by Linstock, supported by the Chairman and 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 was designed by Linstock, based on an initial conversation with the Chairman and the Company Secretary. It looked at a variety of areas including, among other matters, the composition of

the Board and Committees, understanding stakeholders, Board dynamics, strategic oversight, risk management and internal control, succession planning, the advice and support provided, the focus of meetings and priorities for change. Based on the answers to the questionnaires, interviews were conducted with each of the Directors and regular attendees.

The results of the questionnaires and the outcomes from the interviews were collated and a summary provided to the Chairman and Chairs of each of the Committees. The results were presented and discussed by the Board and each of its Committees at their respective meetings in June and August 2019.

FY19 External Board effectiveness evaluation outcomes

Overall the results of the evaluation were positive and showed that the Board is running effectively. The Board continues to be seen as being cohesive and comprising 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, its strategy and risk.

Corporate governance report

Effectiveness continued

Table 4 – Areas of improvement for the Board

	Stakeholder engagement	Culture	Succession and Diversity
FY19 outcomes	To continue to be involved in engaging with internal and external stakeholders and to take their views and interests into consideration throughout the decision-making process.	To ensure that the Group's culture is recognised and understood across the business.	To increase focus on management development, succession and diversity.
Actions for FY20	To explore opportunities to gain further insight into the views and concerns of our stakeholders and into overall stakeholder dynamics.	Gain insight into how the culture of the business is perceived by stakeholders and identify ways to better communicate the culture and ensure that it continues to drive appropriate behaviours throughout the business.	To develop further the succession plans for the Chief Executive, Chief Operating Officer and Chief Financial Officer and to continue to progress our diversity agenda.

Table 5 – Areas of improvement for the Committees

	Nomination Committee	Audit Committee	Remuneration Committee
FY19 outcomes	To increase focus on succession in respect of key management positions.	To continue to enhance the relationship between the Audit Committee and the Risk Committee and to further streamline the agenda items and papers for the Committee meetings.	To undertake a more risk based assessment of remuneration structures and continue to simplify Executive Directors' and Senior Management remuneration.
Actions for FY20	To support further the Group HR Director in reviewing succession plans. To undertake an assessment of the Group's succession planning processes to identify any areas of improvement.	Jock Lennox to continue to attend Risk Committee meetings in FY20. To undertake a review of the Committee's annual agenda and to promote the use of more Executive summaries.	To work with our remuneration consultants in terms of best practice and risk assessment and refine structures accordingly following consultation with shareholders.

Evaluation of the Chairman and Non-Executive Directors

The evaluation of the effectiveness of the Chairman was also conducted by Linstock. A questionnaire was issued to each Board member (excluding the Chairman) 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 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 based on the outcomes of the questionnaires each of them had completed on themselves. There were no issues of any substance arising from this review.

Information and support

The Chairman, with the assistance of the Company Secretary, ensures that the Board receives accurate, timely and clear information. 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.

Any Director who is unable to attend a meeting is invited to provide their views to the Chairman ahead of that meeting. 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 FY19, training included aspects of Social, Health and Environmental issues and various presentations and updates relating to the Board's Strategy agenda. Such presentations included market conditions and the economic environment in which we operate, culture, our customers, diversity and our workforce, sales and product development, financial updates and MMC. In addition, at each Board meeting, the Company Secretary provides an update on any developments in corporate governance on the basis of which future training topics are often identified. During the year, the Nomination Committee identified the need for training and development in digital trends, which will be scheduled for the forthcoming financial year.

Corporate governance report

Accountability

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 84 to 91).

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 and appropriately manage 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 57 and 58).

We continue to cooperate fully with the Metropolitan Police on the ongoing investigation we instigated regarding possible misconduct in our London business. As stated in October 2016, Barratt does not anticipate any materially 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 on the feedback shareholders provided in respect of our 2018 Annual Report and Accounts. It also set aside adequate time to review and discuss significant areas of the 2019 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 122. The process undertaken by the Audit Committee to assist the Board in their assessment can be found on pages 88 and 89. After considering the paper from the Company Secretary and following its own reflections, the Board was happy to endorse the recommendations of the Audit Committee.

Relations with shareholders

Information on relations with shareholders is provided as part of the Stakeholder engagement section of the Strategic Report on pages 22 and 23.

In accordance with the UKLA's 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 2019, the persons set out in Table 6 below 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

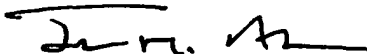
¹ Represents the number of voting rights last notified to the Company by the respective shareholder in accordance with DTR 5.1.

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

At 2 September 2019, 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 2 September 2019, are 1,018,104,461.

On behalf of the Board

John Allan
Chairman



3 September 2019

Nomination Committee report

“The Nomination Committee continues to play a vital role in ensuring that not only the Board but also Senior Management comprise the right individuals to deliver the strategy of the Group.”

John Allan
Chairman of the
Nomination Committee

Statement from the Chairman of the Nomination Committee

I am pleased to present the Nomination Committee report for the financial year ended 30 June 2019. The Nomination Committee continues to play a vital role in ensuring that not only the Board but also Senior Management comprise the right individuals to deliver the strategy of the Group.

Skills and experience of the Board

The Nomination Committee annually reviews the composition, skills and experience of the Board and its Committees. There have been no changes to the Board or Committees during the year under review. The Committee has however, continued to consider succession planning at both Board and Senior Management levels.

Diversity and inclusion

The Committee reviewed the Board Diversity Policy during the year. We also ensured that the Board considered whether diversity and inclusion across the wider business was being progressed, including discussions with management at site visits during the year. Further information on the Company's progress on Diversity and Inclusion initiatives is available on page 83 and in the Stakeholder engagement section of the Strategic Report on page 25.

Succession planning

A number of recommendations have been made by the FRC and other key organisations for Nomination Committees to focus on 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.

The following pages set out the work undertaken by the Committee during the year.

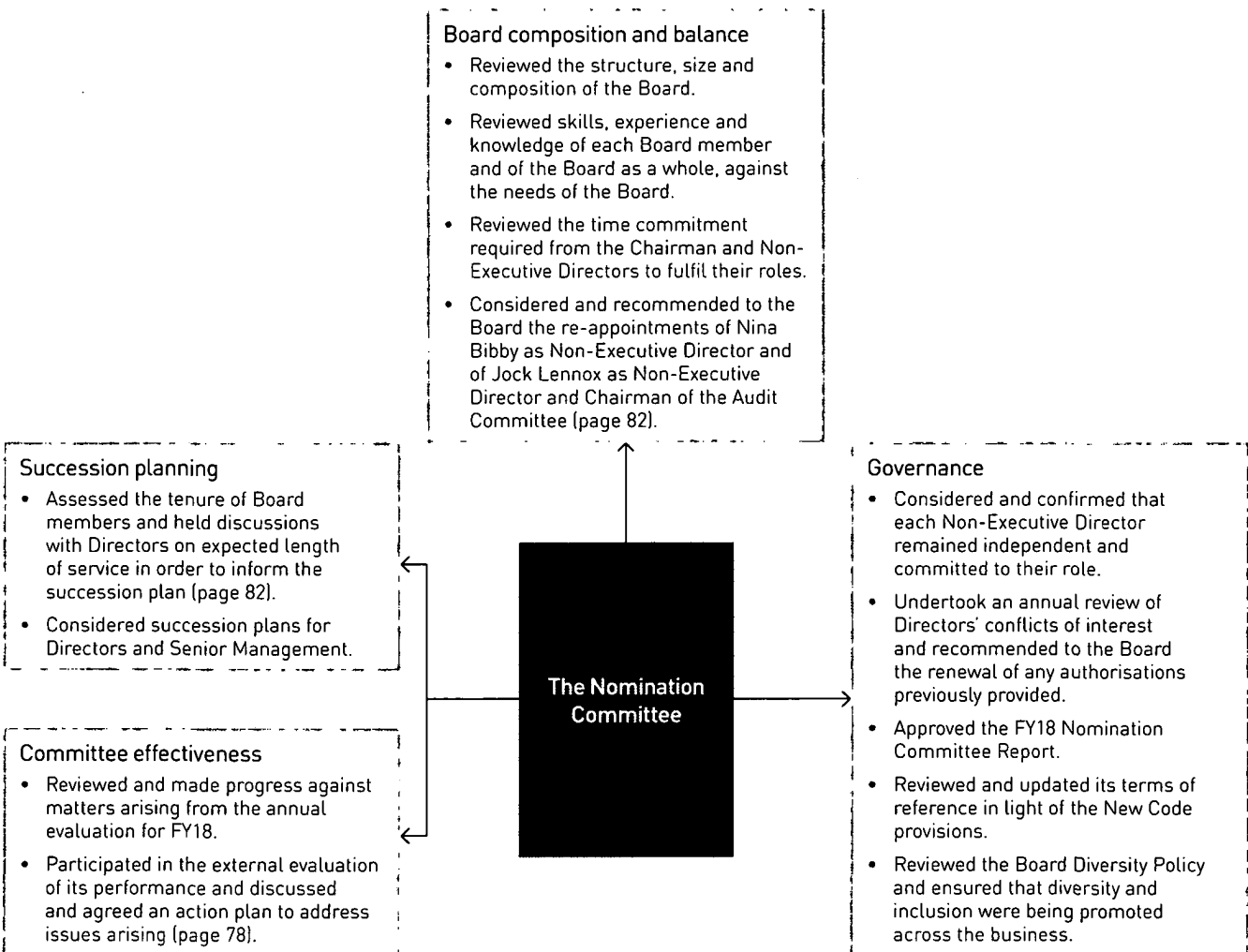
John Allan
Chairman of the Nomination Committee
3 September 2019

Nomination Committee role and activity FY19

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, 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.barrattddevelopments.co.uk/investors/corporate-governance.

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



Nomination Committee report

continued

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**. The majority of Committee members are considered independent by the Company and in accordance with Code provision B.2.1. Their biographies and qualifications are shown on pages 68 and 69.

Table 7 – Nomination Committee membership and attendance for FY19

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

Note:

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

Appointment and re-appointment of Directors

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 annual 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. 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 69.

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.barratdevelopments.co.uk). Copies will also be available at the 2019 AGM for 15 minutes before the meeting and throughout. 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 Nina Bibby as a Non-Executive Director, given that she

had concluded six years of service. The Committee also undertook a review of the re-appointment of Jock Lennox as a

Non-Executive Director and Chairman of the Audit Committee, who had served three years on the Board. The Nomination

Committee was satisfied that both Nina and Jock continued to dedicate sufficient time to their duties and they confirmed that

they would continue to do so. Furthermore, the Committee was satisfied that there was no other relationship or circumstance

that would affect the performance of their roles or their independence. Accordingly, the re-appointments of Nina Bibby for a

third three-year term and Jock Lennox for a second three-year term were recommended to the Board, which it fully endorsed.

Retirement and re-election of Directors

All Board members will stand for re-election by shareholders at the 2019 AGM. Biographical details of each of the Directors are set out on pages 68 and 69 of this report and supporting statements for their re-election can be found in the Notice of the 2019 AGM. Details of the Executive Directors' service contracts can be found in the Remuneration report on page 102.

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

Succession planning

Succession planning is a live topic at the Board and Nomination Committee meetings. In accordance with our succession plan for Non-Executive Directors, discussions are currently under way to determine what skills any new Non-Executive Director would need to possess to support the succession plans for the Non-Executive Directors and the continuous refresh of the Board. The Committee also meets annually with the Chief Executive to discuss the succession plans for the other Executive Directors and Senior Management below Board level. Succession plans are in place across the business at all levels for the wider workforce. Further details on the process used are set out in the Strategic Report on page 43.

Executive Directors

During the year, the Board undertook its annual review of the Group's succession plans, including those for the Executive Directors and Senior Management. 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 at 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.

The Nomination Committee reviews annually the length of service of Non-Executive Directors to support the progressive refresh into account the cyclical nature of the business, lessons gained through one property cycle can be useful during the next.

Non-Executive Directors

The Nomination Committee reviews annually the length of service of Non-Executive Directors to support the progressive refresh into account the cyclical nature of the business, lessons gained through one property cycle can be useful during the next.

Directors' conflicts of interest

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 conflicts of interest 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 FY19, the Company Secretary maintained a register of Directors' conflicts of interest. 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 interest, 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

The Nomination Committee and the Board 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 Group 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's aim is for its employee profile to mirror that of the communities in which it operates. Further information on the Group's progress on diversity and inclusion can be found on pages 44 and 45.

Board 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 Policy for Board appointments can be found at: www.barrattdevelopments.co.uk/sustainability/our-policies.

Gender diversity

At 30 June 2019, 37.5% of the Board were female, exceeding the target set 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.

In addition, the Board are aware of the requirements of the Hampton-Alexander review and the details are kept under review and disclosed on page 45.

Ethnic diversity

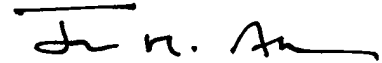
The Board already meets the recommendation of the Parker review for all FTSE 100 Boards to have at least one Director on the Board by 2021 who identifies as a person of colour.

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
3 September 2019



Audit Committee report

“ During FY19, the Audit Committee has held a number of in-depth reviews which have strengthened our processes around the monitoring and management of risk. ”

Jock Lennox
Chairman of the Audit Committee

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 2019.

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 and management reporting. In performing this role, we scrutinise the full and half yearly financial statements, review in detail the work of the external auditor and review any significant financial judgements made by management to ensure they are appropriate. We also annually review the risk management and internal control framework operating across the Group to ensure that risks are being carefully identified, assessed and appropriately mitigated against, and that sound systems of internal control are in place.

In performing our duties during the year, we have complied with the requirements of the 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 critical accounting judgements and key sources of estimation uncertainty are appropriate.

The Audit Committee has had a full agenda. We have held a number of in-depth reviews, which have strengthened our processes around the monitoring and management of risk.

In our discussions we have considered:

- our systems, processes and controls in terms of IT and physical security (including GDPR and cyber security). We considered in detail planned system improvements and noted that an external IT crisis management assessment was to be conducted;
- the outcomes from the Kingman, Brydon and CMA consultations into the audit market. We requested a full report on the reviews from our auditor, considered the implications and agreed it was important to monitor changes in this area;
- the inherent risks to the Group of potential changes in Government Policy. We considered the changes to the Help to Buy scheme from 2021 and their potential impact on the Group. We requested that management should keep us updated, therefore this will be reviewed again in FY20; and
- the impact of new accounting standards. Further information on the work we undertook is reported on page 90.

The Audit Committee has requested and reviewed a thorough sensitivity analysis to provide assurance for the Long term viability statement that is included on page 65.

We have also spent time understanding, and, where necessary, encouraging improvement of internal controls and auditing processes.

During the year, I was involved in the recruitment process for a new Head of Internal Audit to replace the previous incumbent, who has taken on other

responsibilities within the business. The Chief Financial Officer undertook first round interviews and created a short-list of potential candidates. I then carried out the second round interviews of those who had been shortlisted in order to bring an independent view to the selection process. Since being appointed to the role in March 2019, the Head of Internal Audit has instigated a full and thorough strategic review of the Internal Audit function. Details of the initial improvements recommended by the Head of Internal Audit can be found on page 91.

During the year, we ensured that the internal audit function 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 the Internal Audit function is contained on page 91.

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

- i. impairment of goodwill and indefinite life brands remains a key source of estimation uncertainty due to its materiality and the judgements that are required as part of the annual impairment review; and
- ii. margin recognition is a key source of estimation uncertainty due to the estimation of the costs to complete that is required as part of the valuation process.

Further details on key sources of estimation uncertainty can be found on pages 87 and 88.

Update on FY19 areas of focus

In the 2018 Annual Report and Accounts, I outlined what our main areas of focus would be for FY19. I am pleased to update you on progress to date in each of these areas.

Changes in regulation and accounting standards

The requirements of IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments' have been applied, where applicable, for the year under review. Details of the Committee's ongoing consideration of IFRS 16 'Leases' are given on page 143.

The Audit Committee has received detailed updates on preparations and estimates of the effect of the implementation of this standard on the Group's financial reporting and challenged management

on assumptions where necessary. The Audit Committee has discussed and agreed the adoption date and method for this new accounting standard.

The Audit Committee has considered the implications of the New Code issued in July 2018 which is applicable to the Company from FY20. Consequently, the Committee has updated its terms of reference to reflect the New Code requirements, a copy of which can be found on our website at www.barrattddevelopments.co.uk. Details on how we have applied the new requirements will be fully disclosed in the report for the financial year ending 30 June 2020.

Cyber security

The Audit Committee continues to 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 continued to monitor closely the actions taken by the Group to minimise the risks of being affected by a cyber attack. In FY19, the Group undertook active penetration testing and the Audit Committee has considered and approved the steps taken to improve the Group's defences.

Principal risks and uncertainties

Risk management continues to be a key focus for the Audit Committee. We not only review our principal 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. To enhance the Committee's relationship with the Risk Committee, I attended a Risk Committee meeting in December 2018 to gain insight into how the Risk Committee is managed, the level of engagement of the members and the level of detail included in the papers, all of which I found appropriate. I will continue to attend the Risk Committee meetings periodically going forward.

Areas of focus for FY20

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.

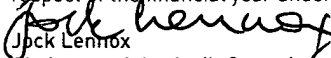
Our areas of focus for FY20 are to:

- i. continue to develop processes and reporting in respect of IFRS 16 'Leases', which will impact the Group in FY20;
- ii. continue our focus on systems, including defending against cyber risks facing the business and reviewing the implementation of our new valuation system;
- iii. continue to undertake in-depth reviews of any key areas of risk impacting the business;
- iv. continue to enhance the relationship with the Risk Committee; and
- v. continue to monitor the impact of the announced changes to the Help to Buy scheme.

External audit

During the year, the Chief Financial Officer and I have had a number of discussions regarding audit fees with the lead audit partner. The quality of the external audit is of paramount importance to the Committee. It is vital that the audit of our business includes both broad engagement with management and fieldwork across our business. In addition, we believe that the audit should be conducted with two audit partners in order to provide the quality of audit that both we and the Company's shareholders require. The Audit Committee also recognises the increasing regulatory demands being placed on the audit profession, which are resulting in additional costs to conduct an audit. Following these discussions we agreed to increase the Group's audit fee on a like for like basis by approximately 20% over the two years to FY21. The level of increase in the fees is subject to the scope of the audit. I will therefore report on the final fees for FY20 and FY21 in each of the respective Audit Committee reports. In addition, the audit fees for the JVs in which we participate will be reported each year once they have been agreed with the JV partner and the Audit Committee.

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


Jack Lennox
Chairman of the Audit Committee

3 September 2019

Audit Committee role and activity FY19

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.barrattddevelopments.co.uk/investors/corporate-governance.



Audit Committee report

continued

Membership and attendance at Audit Committee meetings

In compliance with the Code, the Committee is composed exclusively of Non-Executive Directors and each member is considered to be independent by the Company. The Chairman, 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's 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 the Group operates. Details of the members and attendance at each of the scheduled meetings is shown in **Table 8** and the biographies and qualifications of the members are shown on pages 68 and 69.

Table 8 – Audit Committee membership and attendance for FY19

Member	Role	Number of meetings attended
Jock Lennox	Chairman/ Member	4/4
Richard Akers	Member	4/4
Nina Bibby	Member	4/4
Sharon White	Member	4/4

Note:

X/ Number of meetings attended whilst a Director.

/X Number of meetings held whilst a Director.

In addition to the Company Secretary (Tina Bains), the Chief Internal Auditor (George Dobie until 1 March 2019, and thereafter his replacement, the Head of Internal Audit, Kerry Smith) and representatives from Deloitte LLP attended each of the Audit Committee meetings. The Chief Executive, Chief Financial Officer, Chief Operating Officer and other members of Senior Management also attended meetings (or parts thereof), by invitation. Members of Senior Management included, amongst others, the Group Financial Controller, Group IT Director and the Group Sales and Marketing Director. After each meeting, the Chairman of the Committee reported 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 separately and independently of management and the Chairman of the Board.

Matters discussed with management

During the year, the Committee requested further information from management on a number of areas related to accounting, risk management and financial control. These included:

- The management of the land acquisition process and detailed analysis of the Group's land bank so that it could consider further the changes to the Government's Help to Buy scheme from 2021. The Committee considered that the approach adopted by management was appropriate;
- Review of the critical accounting judgements and key sources of estimation uncertainty made with regards to margin recognition and the associated valuation of work in progress. The Committee agreed that this was a critical accounting judgement as outlined on page 88;
- Review of the Group's goodwill and intangible assets, including the acquisition of Oregon. The Committee agreed that goodwill and intangible assets were a critical accounting judgement as outlined on page 88;
- Analysis of accruals held related to completed developments and the related management review and control processes. The Committee considered that the approach adopted by management was appropriate;
- Detail to assess the appropriateness of the proposed contingent liabilities disclosures included within the Annual Report and Accounts. The contingent liabilities disclosure incorporates refinements made by the Audit Committee;
- Understanding of the assessment undertaken by the Risk Committee to review and confirm that the Group's principal risks remain appropriate. The Committee concurred that the process operated by the Risk Committee was robust and that the principal risks and uncertainties as disclosed on pages 59 to 64 are appropriate; and
- Additional scenarios to be included in the Group's analysis of going concern. The conclusion of the Committee following this review is outlined under Significant matters considered during the financial year.

Significant matters considered during the financial year

The significant matters considered by the Audit Committee during the financial year were addressed as set out below and on page 88. 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. Critical accounting judgements and key sources of estimation uncertainty

See table on page 88.

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 121 and 138.

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.

3. 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.

Audit Committee report

continued

Critical accounting judgements and key sources of estimation uncertainty for FY19 remained unchanged from FY18 and comprise:

Key sources of estimation uncertainty

Margin recognition

The Group holds of £4,704.4m of land and WIP across housebuilding and commercial developments. During the year, the Group has recognised £1,068.1m of gross profit from housebuilding and has £4,696.4m of land and WIP in relation to housebuilding developments at 30 June 2019. The Group's key control is the site valuation process in which assessments are determined over the valuation and profit recognised from housebuilding developments. 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 homes 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 prices on those developments and units, in making these assessments there is a degree of inherent uncertainty.

Impairment of goodwill and indefinite life brands

The Group has £805.9m of goodwill and £100.0m of intangible assets with an indefinite useful life. Goodwill of £792.2m was recognised on the acquisition of Wilson Bowden in 2007 and £13.7m from the acquisition of Oregon in 2019, all of which is attributable to its housebuilding business (see page 158). 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.

A further £2.3m of intangible assets were also recognised on the acquisition of Oregon. These assets will be amortised as outlined on page 161.

How the Audit Committee addressed those estimates

Margin recognition

The Audit Committee received feedback from Senior Management, including the Executive Directors in respect of their attendance at valuation meetings, including assurance on the efficiency and consistency of the approach on valuation throughout the business. In addition, Deloitte LLP reported on their findings and recommendations following their attendance at valuation meetings as part of the external audit process. The Committee also considered the results of the Group's internal audit reviews across the business. 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 Management's assumptions and estimates in the assessment of margin recognition based on site performance and the valuation of inventory, based on recoverability over the remaining activity of the site. The Audit Committee requested regular updates on sites under examination.

Impairment of goodwill and indefinite life brands

The Audit Committee considered the level of goodwill and intangible assets with an indefinite useful life held on the Group's balance sheet of £905.9m and whether, given the future prospects of the Group and Oregon, the value of goodwill held on the balance sheet remains appropriate. The paper, which was considered at the Committee's August 2019 meeting 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, the 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.

2019 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 2019 Annual Report and Accounts were fair, balanced and understandable. The process involved collaboration between various parts of the Group including the Group Finance team, Company Secretariat, Group Communications, Investor Relations, the Sustainability team and the Company's advisers. This 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 2019 Annual Report and Accounts (including the risk management and principal risks disclosures) to allow itself sufficient time to review the disclosures therein. The Audit Committee then assessed, at its meeting in August 2019, whether the 2019 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 2018 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 2019 Annual Report and Accounts:

- accurately reflected the Group's and Company's performance in the year under review;
- contained an accurate description of the business model;
- correctly reflected the Group's and 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 2019 Annual Report and Accounts were fair, balanced and understandable and contained sufficient information for shareholders to assess the Group's and 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 Group's ability to continue to trade, taking into account the Group'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 average private selling price, reduction in volume, an increase in build, warranty, labour and administration costs, and an increase in build time. 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, meet its financial covenants and maintain its announced Capital Return Plan. 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. Taking into account the Group's three-year planning cycle, three-year financial plan and a target controlled land bank of 3.5 years, the Audit Committee agreed that the long term viability assessment should continue to be performed over a three-year timescale. This conclusion was communicated and recommended to, and subsequently approved by, the Board.

The Long term viability statement is shown in the Strategic Report on page 65.

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:

- a clear organisational structure with defined levels of authority and responsibility for each operating division;
- 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;
- 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 their relevance to the operations and financial performance of the Group are set out on pages 57 to 64; and
- 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, reputation 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, work in progress, 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. There is a regular, detailed system for the reporting and forecasting of cash flows from operations to Senior Management, including Executive Directors, 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;
- 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 2019;
- 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

Audit Committee report

continued

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: Group IT, cyber, Help to Buy and reputational risk;
- reviewed in detail the output of the half yearly 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, and the system of internal control remained effective, and reported their findings to the Board when considering the draft half year and full year Financial Statements;
- assisted the Executive Committee in prioritising the risk framework by identifying the risks considered most significant to the Group and assessed the 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 and Principal risks sections on pages 57 to 64.

The Audit Committee recognises the further progress the Risk Committee has made to embed further risk management into the

business. It is anticipated that this will be developed further during FY20.

Review of accounting policies

IFRS 9 and IFRS 15 have been fully adopted for the first time for the financial year under review. The Audit Committee has considered these and the other accounting standards applied in the year and reviewed the Group's progress on considering the impact of IFRS 16 'Leases' upon the Group's accounting policies and Financial Statements. The Committee continues to oversee developments of the Group's processes and reporting to ensure it will be compliant with the requirements of IFRS 16 when it becomes applicable from FY20. Further information on the impact of new accounting standards is on page 143.

External auditor

Audit performance and effectiveness

The Audit Committee assessed the performance of the external auditor and the effectiveness of the external audit for FY19. 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/Head of Internal Audit who were closely involved in both the half year and full year reporting processes;
- Deloitte LLP's fulfilment of the agreed audit plan for FY19;
- reports highlighting the material issues and critical accounting judgements and key sources of estimation uncertainty 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 FY19 was therefore considered to be satisfactory.

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.

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 FY19 £58,000 was paid to the auditor for non-audit services (including audit related services) out of a total fee paid for all services of £459,000. Non-audit fees therefore represented 12.6% of audit fees. Further details of the audit and non-audit fees incurred by the Group can be found in Note 2.3.3 on page 148.

The non-audit fees related to the work undertaken by Deloitte LLP in their role as auditor to the Group for the half year review and in relation to provision of planning related information required in the sale of a subsidiary. 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, are 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.

Auditor independence and non-audit fees policy

In FY19, the Committee reviewed the policy on Auditor Independence and non-audit fees to ensure it remains appropriate. The Committee noted that the policy's cap on non-audit fees of 70% of the average audit fees over the previous three years would take effect from 1 July 2019. 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.barrattddevelopments.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 in 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 are 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 FY19 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. Following due consideration the Board unanimously agreed to re-appoint Deloitte LLP with 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. Claire Faulkner, having become lead audit partner in FY18, continued in this role for the FY19 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 Chief Internal Auditor stepped down from this position to take on other responsibilities in the business. His replacement joined the business in January 2019 and took over from him, with the title Head of Internal Audit, in March. The Audit Committee received reports from the Chief Internal Auditor and Head of Internal Audit 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 Head of Internal Audit 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. As part of the FY19 Audit Plan, to further improve the effectiveness of Internal Audit, the Head of Internal Audit has commenced a strategic review of the Internal Audit function. Initial improvements recommended by the Head of Internal Audit include:

- consolidation of the different types of audit undertaken;
- implementation of a formal management action tracker; and
- streamlining of audit reports.

The final proposals from the strategic review will be presented to the Committee later in the year.

The Audit Committee considered the effectiveness of the Internal Audit team at its November 2018 meeting, and confirmed that in its opinion, Internal Audit had operated effectively and provided an appropriate level of independent scrutiny of the operations of the Group.

Audit Committee effectiveness

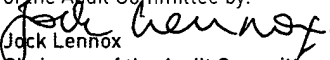
The 2018 internal performance evaluation of the Audit Committee was positive and actions have been taken with regards to each recommendation as set out on page 77. This year the Audit Committee's evaluation was externally facilitated, along with the Board effectiveness review. The outcomes and actions arising from this review are described in more detail on page 78.

Whistleblowing

The Chief Internal Auditor or Head of Internal Audit 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 telephone number is available to all employees, sub-contractors and suppliers 24 hours a day, seven days a week. Any issues reported to the number that require urgent attention, such as corruption, human rights, safety, bullying or harassment, are notified to the Group immediately, all other issues are notified within 24 hours. The Head of Internal Audit reviews and investigates the issues and, at her sole discretion, can seek guidance from appropriate individuals within the Group, such as the Company Secretary, as and when necessary. As Chairman of the Audit Committee I update the Board on all whistleblowing reports and investigations on a regular basis, and the Board discusses the most material issues.

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

3 September 2019

Safety, Health and Environment Committee report

“ The health and safety of our workforce, customers and members of the public and the protection of the environment around our developments remains a fundamental priority and is embedded within the day-to-day operations of the business. ”

Richard Akers
Chairman of the Safety, Health and Environment Committee

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

The health and safety of our workforce, customers and members of the public and the protection of the environment around our developments remains a fundamental priority and is 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 SHE. 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. The Group SHE Operations Committee is responsible for implementing and oversight of the overall SHE improvement strategy for the Group. 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. We hold at least one joint meeting during each year enabling the members of the SHE 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. The SHE Committee has formal terms of reference, which it has reviewed and approved during the year.

The key aspects of the SHE 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.

Review of activities in FY19

Board SHE visits

All Directors are encouraged to attend a SHE site visit with the Group SHE Director. These visits aim to provide an insight into how SHE is managed in addition to providing more detailed information on the initiatives 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 of 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.

IIR

We have continued to monitor our SHE performance targets, our key performance indicators and our IIR, all of which are available in the Strategic Report on pages 46 and 47. Our IIR has decreased during FY19, as a result of the continued high levels of focus on SHE management, increased monitoring by our in-house SHE team and as a result of our continuous improvement strategy in this area. However, we remain focused on continuing to make improvements to reduce injuries and continue to work with our management teams on this. Despite our best efforts, we were deeply saddened that a sub-contractor working on one of our sites was fatally injured in June 2019. I can assure you that we are fully cooperating with the Health and Safety Executive during its ongoing investigation. We have also made

sure that those individuals who have been affected by this tragic incident have received the appropriate level of support. Our thoughts are with the family, friends and colleagues of the sub-contractor during this difficult time.

SHE Management System

We have continued to operate the SHE management system that has been in place for a number of years, and which has been reviewed and updated during the year. As reported last year, an audit by the British Safety Council of our SHE policies, processes and procedures took place in July 2018, with our 5 star status retained. We strive to ensure that our SHE policies and procedures are kept up to date with the latest regulation and best practice and that they remain 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.

SHE training and compliance

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 Safety training course.

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.

Drugs and alcohol testing

Following feedback from our initial programme of random sampling, we reviewed and updated our Drugs and Alcohol policy and put additional controls in place to ensure we remain GDPR compliant. The programme has been accepted by the business and is seen as key to helping keep our workforce safe.

Occupational and mental health

We continue to concentrate on occupational and mental health, offering advice on healthy lifestyles and achieving a healthy work-life balance. A health and wellbeing calendar has been made available to all employees and provides advice on different health related topics each month. We are implementing occupational health surveillance for directly employed employees and continue to provide mental health awareness training for line managers and raise awareness of health related issues through poster and leaflet campaigns.

NHBC awards 2019

We were particularly pleased to see that six of our sites had been commended as part of the NHBC health and safety awards, and three of these went on to be highly commended.

Engagement with sub-contractors

During FY19 we have held 26 seminars with 124 of our groundworks contractors to help improve the interface between plant and pedestrians and work with contractors.

Some of the initiatives that we have embarked on as a result of the seminars include:

- provision of cabs on dumpers (six tonnes or over) from January 2021;
- further controls for segregation of plant and pedestrians, including onsite trials of auto-detection equipment;
- minimum levels of training for onsite supervision; and
- minimum standards for all types of plant provided on site.

Good Housekeeping Campaign

Throughout the year, the SHE team have been focused on a campaign to enhance housekeeping and safe access to workplaces. Communication of key points has been through the use of posters, briefing cards and a safety alert being issued to site teams.

Areas of focus for FY20

During FY20, we will:

- continue in our wellbeing and occupational health programmes and support our supply chain to meet this obligation;
- progress our programme of random drugs and alcohol testing in line with our policy in this area;
- look to further improve our IIR; and
- update our SHE management system to comply with ISO 45001.

Our most important asset is our workforce and therefore it is important that the safety and wellbeing of all employees (direct and indirect) remains a fundamental 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 for FY19

Member ¹	Role	Number of meetings attended
Richard Akers	Chairman	3/3
Steven Boyes	Member	3/3

¹ The Group's SHE Director attended 2/3 meetings during the year.

Note:

X/ Number of meetings attended whilst a Director.

/X Number of meetings held whilst a Director.

Richard Akers
Chairman of the SHE Committee

3 September 2019



Remuneration report

Annual statement from the Chairman of the Remuneration Committee

“ Our Remuneration Policy continues to be fit for purpose, aligning the interests of our Executive Directors with those of our shareholders. It also continues to drive appropriate behaviours for the long term success of the Company. ”

Richard Akers
Chairman of the
Remuneration Committee

On behalf of the Board, I am pleased to present our Remuneration report for the year ended 30 June 2019. Our Remuneration report comprises three parts: this Annual Statement, the Remuneration Policy and the Annual report on remuneration.

Remuneration Policy

Shareholders last approved the Remuneration Policy in 2017 with over 98% of votes cast in favour. This year we have undertaken a review of the Remuneration Policy and believe that it continues to be fit for purpose, aligning the interests of our Executive Directors with those of our shareholders. It also continues to drive appropriate behaviours for the long term success of the Company. Accordingly, we have agreed that there will be no changes to the Remuneration Policy for FY20.

We will be undertaking a detailed review of our Remuneration Policy in FY20, with a view to presenting it to shareholders for approval at our 2020 AGM. We will engage with shareholders as part of this process.

Remit of the Committee

As part of our review of the Remuneration Policy, we will determine what changes are required in light of changing market expectations and the New Code (which is applicable to all financial years commencing on or after 1 January 2019). We welcome the changes introduced by the New Code including those that extend our remit to include the setting of remuneration for Senior Management and to review remuneration and related policies for the wider workforce whilst aligning incentive and rewards with culture when setting Executive Directors'

remuneration. These are tasks that we already undertake as a Committee and we will look to embed them further in to our annual agenda during the course of FY20. We have already updated our terms of reference to reflect the requirements of the New Code which can be found on our website at www.barrattdevelopments.co.uk/investors/corporate-governance.

Chief Executive pay ratio

The Committee already uses a variety of pay ratios to ensure that Executive Directors' remuneration remains appropriate within the context of reward arrangements across the business and with market practice. We therefore welcome the requirement to disclose our Chief Executive's pay ratio. Whilst this is not yet a mandatory requirement, we have voluntarily disclosed the information in this report. Further details can be found on page 116.

Pension contributions

We are supportive of the requirements of the New Code, and the guidance of various advisory bodies (including the IA) on the alignment of Executive pension contributions with those of the wider workforce. For new Executive Directors as of November 2017 (including Jessica White who was promoted to Chief Financial Officer in 2018), we have reduced the maximum contribution to 15% of salary from 25%. For new joiners as of 1 July 2019 the maximum pension contribution has been reduced further, to 10% of salary, equal to the maximum employer contribution available to the workforce in general.

As part of the upcoming policy review we will consider pension provisions in depth, including those provided to our incumbent Executive Directors, and make appropriate adjustments in the context of investor views and evolving market practice.

Post-employment shareholding requirements

Our shareholding policy already includes a requirement that for the Chief Executive and the other Executive Directors to be classified as a 'good leaver' they must commit to holding 100% or 75% of their shareholding respectively, for a period of two years after they leave employment. The post-cessation shareholding policy will be reviewed as part of our wider policy renewal, and amendments will be made to ensure compliance with the New Code and alignment with the expectations of our investors.

Malus and clawback

With the assistance of our legal advisers, Slaughter and May, and remuneration consultants, PwC, we undertook a review of the malus and clawback provisions contained within the rules of our share schemes. Following this review, we have amended our malus and clawback provisions in order to adopt a longer list of specific triggers whilst ensuring that we have sufficient discretion to apply malus and clawback in appropriate unforeseen circumstances. The changes have also enabled us to address the concerns expressed in the New Code, FRC Guidance on Board Effectiveness and The IA's Principles of Remuneration. Details of the revised malus and clawback provisions can be found on page 101.

Gender pay gap disclosure

In April 2019 we published our second Gender Pay Gap report. The Group has a mean gender pay gap of 6.0%, and our median gap is 3.5%, which, whilst slightly higher than last year, is still well below the national average of 17.1%. Our mean bonus gap stands at 42.6% and our median bonus gap at -15.3%. The Group is focussed on improving its gender pay and bonus gaps. Further details can be found on page 45 of this Annual Report and Accounts and the full disclosure is on our website at www.barrattddevelopments.co.uk.

In collating our data and drafting our disclosure for 2019, we have taken into consideration the BEIS recommendations on gender pay reporting published in August 2018.

Shareholder engagement

In July 2019, we provided an update on Executive Directors' remuneration outcomes for FY19 and proposed remuneration for FY20 to our major shareholders and institutional voting agencies. No areas of concern were raised. Details of Executive Remuneration for FY20 are summarised within this statement.

Employee engagement on remuneration

We are mindful of the value of engagement with the wider workforce on various matters, including remuneration policies and practices. To facilitate this, we established a Workforce Forum during the year, which I will attend at least once a year, in my capacity as the designated Non-Executive Director for employee engagement. Employees will be able to raise matters relating to workforce pay through this forum. Further details on the Workforce Forum and the matters it has discussed can be found on page 24. To further engage with our employees and to aid retention, we granted a further award of shares to all employees below Senior Management under our Employee Long Term Incentive Plan. Details can be found on page 25.

FY20 Executive Directors' remuneration

Details of the remuneration of each of the Executive Directors for FY20 are set out on pages 106 to 108. 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. To further align the Executive Directors' annual bonus scheme with that of Senior Management and below, we have made a few slight changes to the metrics of the scheme. Details can be found on page 106. The metrics for the LTPP remain unchanged and in accordance with our Remuneration Policy.

FY19 Performance and reward

It has been another year of strong results for the Group. We have met, or in some cases exceeded, the financial and non-financial short and long term performance targets. This would not have been possible without the clear direction and leadership from the Executive Directors and Senior Management. Accordingly, in recognition of this and taking into account the extent to which the Executive Directors have met their personal objectives (page 110), we have agreed that the financial performance of the Group fully supports an annual bonus payment in the range of 144% to 149% for Executive Directors and that there has been no need to use our discretion to vary the outcomes. Details of individual payouts and the amounts to be deferred into shares can be found on pages 109 and 110.

In addition, the performance conditions of the LTPP award granted in October 2016 were tested after the year end and 92.8% of the award granted to David Thomas and Steven Boyes and 100% of the award granted to Jessica White vested. The difference in the percentage vesting is explained more fully in note 1 of **Table 20** on page 111. The net shares (after the payment of any tax and NI due on release) will be subject to a further two-year holding period for David Thomas and Steven Boyes. The Committee believes these outcomes are reflective of wider Group performance. Full details of the achievements against each of the bonus and LTPP targets can be found on pages 109 to 111.

Remuneration report

Annual statement from the Chairman of the Remuneration Committee *continued*

FY20 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, in line with the award to the wider workforce. No fee increases were proposed or approved for the Chairs of each of the Committees or the Senior Independent Director. The revised fee levels continue to reflect market benchmarks for companies of a comparable size and complexity. Details of the fees proposed for the Chairman and each of the Non-Executive Directors for the financial year ending 30 June 2020 are set out on page 108.

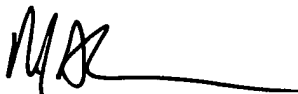
Conclusion

We believe that our Remuneration Policy as approved by shareholders at the 2017 AGM and our current remuneration practices continue to drive appropriate behaviours by management and 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 to be presented at the AGM in October 2019. 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

3 September 2019



Our remuneration strategy

Without our people, we would not have a business. It is therefore imperative that our remuneration strategy appropriately rewards our employees for their performance against the Group's key performance indicators, both financial and non-financial, whilst delivering sustainable shareholder value.

Aims of our Remuneration Policy:

- To promote the long term sustainable 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, margin improvement, 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 Group'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 underlying financial performance of the Group.

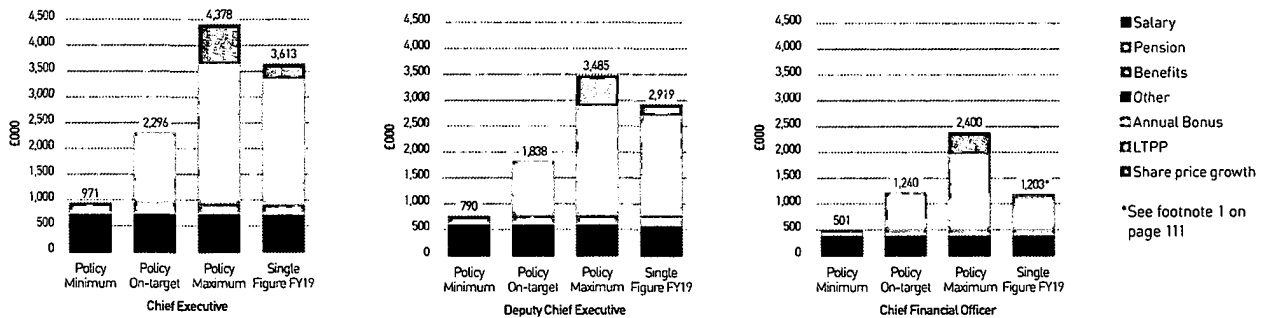
➔ For full details of our [Directors' Remuneration Policy](#) see pages 80 to 89 of the Annual Report and Accounts 2017.

Remuneration report

Overview for FY19

The summary below outlines the remuneration outcomes for Executive Directors for the year under review, together with the minimum, on-target and maximum opportunities, targets set for variable remuneration and our performance against them. Full details can be found in the Annual report on remuneration on pages 104 to 117. Details of Executive Directors' shareholding requirements and whether they have been met are given in Table 25 on page 114.

Executive Director remuneration policy scenarios for FY20 and FY19 single figure outcomes



Notes: For the FY20 policy scenarios, salary levels (which are the base on which other elements of the package are calculated) are based on those applying at 1 July 2019. The value of taxable benefits is the cost of providing those benefits in the year ended 30 June 2019. Minimum pay is fixed pay only (i.e. salary + benefits + pension). On-target pay includes fixed pay, 50% of the maximum bonus (equal to 75% of salary) for all Executive Directors) and 50% vesting of the LTPP awards (with grant levels of 200% of salary for all Executive Directors). Maximum pay includes fixed pay and assumes 100% vesting of both the annual bonus and the LTPP awards, and illustrating 50% share price increase on LTPP shares over the vesting period. All amounts have been rounded to the nearest £1,000. The Executive Directors are also permitted to participate in HMRC tax advantaged all-employee share plans, on the same terms as other eligible employees, but they have been excluded from the above minimum, on-target and maximum bars for simplicity. FY19 single figure is based on the values shown in Table 15 on page 108.

FY19 Performance pay outcomes

Annual bonus outcome

Further details, including progress against personal objectives, are set out on pages 109 and 110 in the Annual report on remuneration

Target	Threshold	Target	Maximum	Weighting	Outcome achieved
PBT	£835m	£850m	£900m	55%	55%
	Actual £909.8m				
Quality and Service improvement	Number of divisions out of 27 to achieve SHE audit score of 94% and customer recommend score of 90% or above			15%	14.45%
	Actual SHE: 27 divisions; Customer Service: 26 divisions				
Strategic objectives: Regional margin improvement	25.8%	26.1%	26.5%	15%	15%
	Actual 26.7%				
Trading outlets	154	158	161	5%	5%
	Actual 163 outlets				
Personal objectives	Detailed on page 110			10%	David Thomas: 6.75% Steven Boyes and Jessica White: 10%

LTPP Vesting outcome

Further details are set out on page 111 of the Annual report on remuneration

	Percentage of award vesting (%) for each performance condition						
	Shares awarded	EPS	ROCE	TSR	Total	Shares vesting	Value (£000)
David Thomas	292,370	33.3	33.3	26.2	92.8	271,319	1,598
Steven Boyes	231,387	33.3	33.3	26.2	92.8	214,727	1,265
Jessica White	16,596	50.0	50.0	n/a	100.0	16,596	98

Alignment of incentive performance measures with strategy

Strategic Priorities				
	Customer first Anticipate our customers' evolving needs by continuously improving the homes and places we build	Great places Secure good value land and planning consents where people aspire to live	Leading construction Deliver highest quality homes, focus on excellence, embrace new methods of construction	Investing in our people Attract and retain the best people, invest in their development
How our incentive structures are aligned to delivering the strategic priorities				
Annual bonus	✓ Quality and Service	✓ PBT ✓ Trading outlets	✓ PBT ✓ Margin improvement ✓ Quality and Service	✓ PBT ✓ Quality and Service
LTPP	✓ TSR	✓ ROCE	✓ ROCE ✓ EPS	✓ EPS

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. We are proposing no changes to the Policy for FY20, however we will be undertaking a full review of the Policy during the current financial year and will submit this for shareholder approval at the AGM in October 2020. The Remuneration Committee will discuss any proposed revisions with shareholders and their views will be sought in advance of the 2020 AGM.

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 www.barrattdevelopments.co.uk/investors. A summary statement of the Policy is shown below.

A description of how the Company implemented the Policy in FY19 can be found on pages 108 to 117 and details of how the Policy will be applied for FY20 are set out on pages 106 to 108.

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 106 for Executive Directors' salaries with effect from 1 July 2019.
Benefits (taxable)		
To support the health and wellbeing of Executive Directors whilst they undertake their roles.	Benefits normally include: <ul style="list-style-type: none"> • company car; • private medical insurance; • some telephone costs; and • contributions towards obtaining independent financial advice. <p>Other benefits offered to the wider workforce will also be offered to Executive Directors on the same basis.</p>	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: <ul style="list-style-type: none"> • participate in the Company's money purchase pension plan; or • receive a salary supplement. <p>Executive Directors are also eligible to an insured lump sum of up to five times pensionable salary on death in service.</p>	The Committee retains the discretion to honour the pension contribution for those individuals who are internally promoted to 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 114.

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.	<p>Executive Directors are eligible to earn a discretionary annual bonus. The bonus is not pensionable.</p> <p>The level of bonus awarded to each Executive Director is dependent on the achievement of a number of Group and individual performance targets.</p> <p>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 DBP.</p>	<p>When setting bonus targets, the Committee considers the effect of corporate performance on ESG risks and sustainability issues generally to ensure that remuneration structures do not inadvertently motivate irresponsible behaviour.</p> <p>The performance targets set are stretching whilst having regard to the nature and risk profile of the Company and the interests of its shareholders.</p> <p>Performance against FY19 targets is shown on pages 109 and 110.</p>
DBP		
To encourage long term focus and to further align interests with those of shareholders and discourage excessive risk taking.	<p>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.</p> <p>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.</p> <p>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 101.</p>	No performance conditions apply to the vesting of awards other than the continued employment condition.
LTPP		
<p>To motivate and reward Executive Directors and Senior Management for the delivery of the long term performance of the Group.</p> <p>To facilitate share ownership by Executive Directors to align their interests with those of our shareholders.</p>	<p>Executive Directors are eligible to participate in the Company's LTPP.</p> <p>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.</p> <p>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 101.</p> <p>Following approval at the 2017 AGM, LTPP Awards granted on or after 15 November 2017 will attract dividend equivalents which may be paid in cash or shares on the vesting of the award.</p>	<p>LTPP awards are usually granted following the final results announcement in September of each year.</p> <p>The Committee sets performance targets for each award and ensures that the targets, whilst 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).</p> <p>Performance against the targets for the awards made in 2016, 2017 and 2018 can be found on pages 111 to 113.</p> <p>Details of the awards due to be granted in 2019 are set out on page 107.</p>

Remuneration report

Directors' Remuneration Policy – Summary continued

Element of pay	How operated in practice	Maximum opportunity
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Savings Related Share Option Scheme ('Sharesave')

<p>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.</p>	<p>Under the standard terms, employees must have completed the requisite length of service as at the invitation date to be eligible to participate in the Sharesave.</p> <p>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.</p> <p>At the end of the savings period the employee has six months in which to exercise their option.</p>	<p>The five-year Sharesave granted in 2014 and the three-year Sharesave granted in 2016 matured on 1 July 2019.</p> <p>During the year, Steven Boyes exercised his options following the vesting of his 2015 Sharesave scheme in accordance with the rules and elected to retain his shares. Further details of options held by Executive Directors under the Sharesave Scheme can be found in Table 25 (page 114).</p>
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Non-Executive Directors' fees (including the Chairman)

<p>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 the Chairs 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.</p> <p>The Chairman's and Non-Executive Directors' fees are paid in cash, monthly in arrears.</p> <p>No additional fees are payable for membership of Board Committees; however, additional fees are paid to the Chairs of the Audit, the Remuneration and the SHE Committees and to the Senior Independent Director.</p> <p>Additional fees may be paid where, in exceptional circumstances, the normal time commitment is significantly exceeded.</p>	<p>The Remuneration of the Non-Executive Directors is set by the Board on the recommendation of a Committee comprising the Chairman and the Executive Directors. The Board sets the remuneration of the Chairman.</p> <p>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 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.</p> <p>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.</p>
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Guidelines on responsible investment disclosure

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

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 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:

- 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;
- 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
- 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.

During the year, the Committee agreed that awards granted on or after May 2019 may also be subject to clawback in other exceptional circumstances, such as when the relevant performance conditions are assessed on the basis of inaccurate or misleading information, a material loss to the Group as a result of the participant's reckless, negligent or wilful conduct or inappropriate values or behaviours, a material breach of health and safety regulations or failure of risk management by, or material reputational damage to, a Group member or corporate failure.

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 not taken) 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 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.

Remuneration report

Directors' Remuneration Policy – Summary *continued*

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 and some members of Senior Management 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 and some members of Senior Management 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 Executive Directors does not exceed 25% of base salary. For all other employees, the maximum rate of employer's

contribution (or cash supplement) available varies between 10% and 30%. Any new Executive Directors appointed on or after 1 July 2019 will receive a maximum contribution of 10% of salary in line with the average pension contribution available to our workforce;

- Executive Directors are able to participate in the LTTP. A number of select employees at Senior Management level may be invited to participate in the LTTP at the Committee's discretion; and
- in each of the last two years, employees below Senior Management have been awarded a smaller number of shares under an employee long term incentive plan. This award was not made available to Executive Directors.

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' service contracts

Details of the Executive Directors' service contracts are included in **Table 10** below and their emoluments are shown in **Table 15** on page 108. 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.

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 2019

Non-Executive Director	Date elected/re-elected at AGM	Date first appointed to the Board	Date last re-appointed to the Board
John Allan	17 October 2018	1 August 2014	1 August 2017
Richard Akers	17 October 2018	2 April 2012	1 April 2018
Nina Bibby	17 October 2018	3 December 2012	3 December 2018
Jock Lennox	17 October 2018	1 July 2016	1 July 2019
Sharon White	17 October 2018	1 January 2018	N/A

The letters of appointment for Non-Executive Directors are available for inspection by any person at the Company's registered office during normal office hours or are available on the Company's website: www.barrattddevelopments.co.uk/investors.

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 Executive Directors' remuneration, 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 Group provides a number of ways in which employees can ask questions on such matters should they so wish. This includes the Employee Communications mailbox, personal development reviews and the Workforce Forum, details of which are given in the Stakeholder engagement section of the Strategic Report on page 24.

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 can be found on page 117.

Remuneration report

Annual report on remuneration

In this section, we provide an overview of the Committee and its advisers as well as how the Directors' Remuneration Policy will be applied in FY20 and how it has been implemented throughout FY19 together with the resulting payments to Directors. The Annual report on remuneration will be subject to an advisory vote at the 2019 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**. The Company Secretary acts as Secretary to the Committee.

Table 12 – Remuneration Committee membership and attendance for FY19

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	Member	4/4

Note:

X/ Number of meetings attended whilst a Director.

/X Number of meetings held whilst a Director.

Advisers to the Committee

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 last such tender took place in 2017, resulting in PwC being appointed as the advisers to the Remuneration Committee with effect from 1 January 2018.

During the year, the Committee has taken advice from PwC on general remuneration policy and practice, implementation of its decisions and remuneration benchmarking. The Chairman of the Committee also sought advice from PwC independent of management on various matters to be discussed at Committee meetings. The fees payable to PwC are based on an annual fixed fee for a specified service with anything outside this scope being charged on a time and disbursement basis. PwC fees for services provided to the Committee during the year under review were £73,300.

PwC is a signatory to the Remuneration Consultants Group's Code of Conduct. As part of the annual review and re-appointment process, the Remuneration Committee satisfied itself that PwC remained objective and independent during the year.

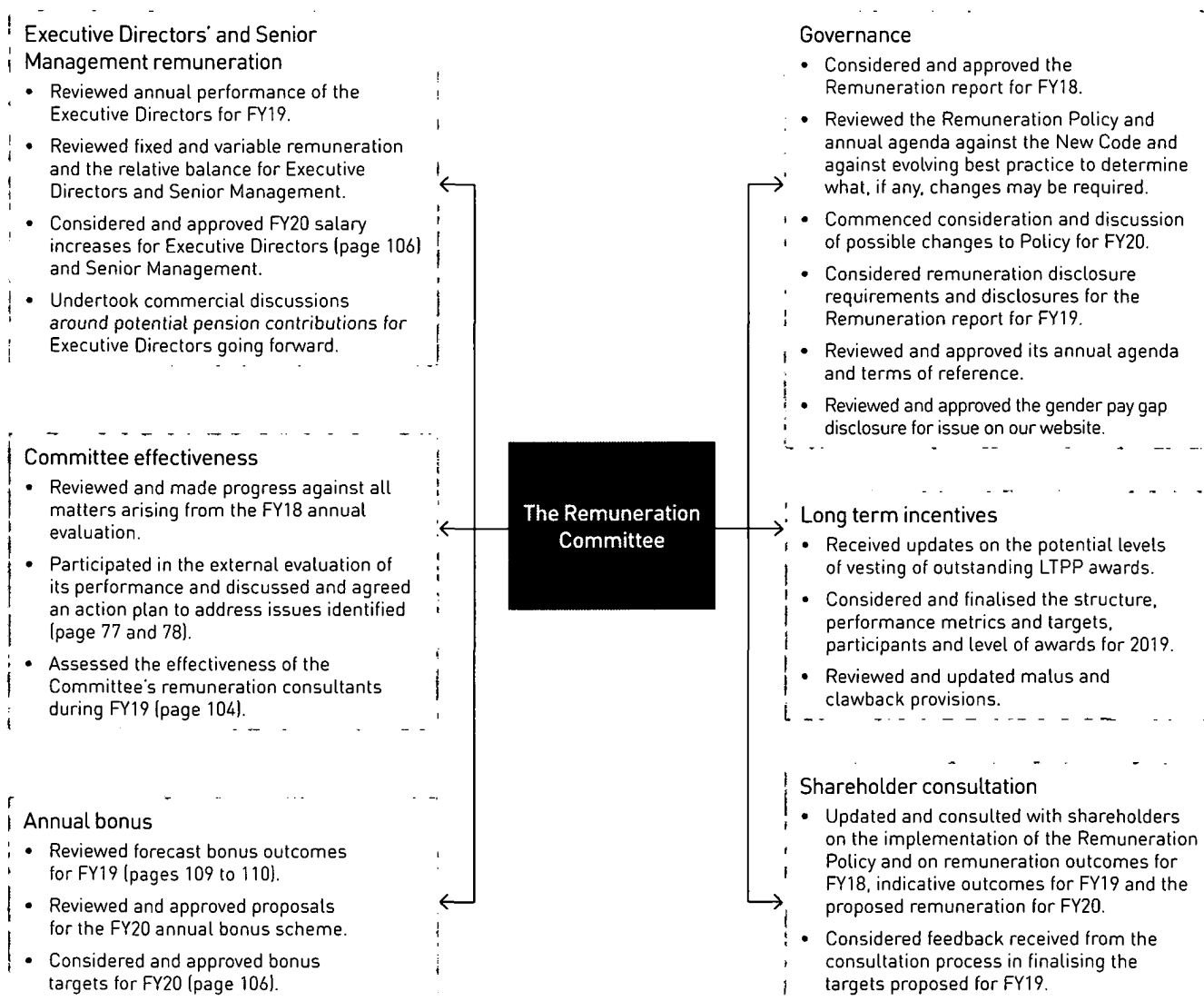
In addition to remuneration advice, PwC also provides taxation, consultancy and internal audit services to the Group. PwC has no other connections with the Company.

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 Committee activity FY19

Main activities undertaken during FY19

The Committee's role is to determine and agree the Remuneration Policy for Executive Directors and Senior Management whilst taking into account the remuneration of the wider workforce. It follows an annual work programme which was fully completed during the year. The Committee's responsibilities, as delegated by the Board, are formally set out in its written terms of reference which are available from our website at www.barrattddevelopments.co.uk/investors/corporate-governance.



Remuneration report

Annual report on remuneration continued

Statement of implementation of the Policy for FY20

Executive Directors' remuneration for FY20 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 June 2019. 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 2.8%); 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 2.5%, slightly below the average increase given to other employees across the organisation. The salaries of the Executive Directors with effect from 1 July 2019 will therefore be:

Table 13 – Executive Directors' salary increases

Executive Director	Salary with effect from 1 July 2019 £000	Salary with effect from 1 July 2018 £000
David Thomas	757	739
Steven Boyes	599	585
Jessica White	422	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. Accordingly, during FY20, Jessica White will continue to receive a cash supplement of 15% of salary and David Thomas and Steven Boyes (both appointed prior to 2017) will both receive a cash supplement of 25% of salary. Any new Executive Director (or other employee) joining the Group on or after 1 July 2019 will receive a pension contribution (or cash supplement) of 10% of base salary. Consideration is being given to the ongoing level of pension contributions paid to existing Executive Directors and the practicalities of bringing them in line with those of the wider workforce.

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 FY20 will be:

Performance measure	Financial/ non-financial	Reason for selecting	Weighting (% of salary maximum)
Profit before tax	Financial	Rewards outperformance against stretching targets and is a key measure of our performance.	82.5
Capital employed	Financial	To ensure efficient use of available capital.	15.0
Quality and service with a health and safety underpin	Non-Financial	Ensures a focus on quality and service to our customers without compromising the safety of our people.	22.5
Strategic objectives relating to: regional margin improvement trading outlets	Financial & Non-Financial	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.	30.0
Total bonus achievable as a % of salary			150.0¹

¹ 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

The Committee understands the importance of simplifying Executive Directors' remuneration whilst aligning it to that of Senior Management, and where possible, the wider workforce. Accordingly, the Committee agreed to:

- i) introduce capital employed as a performance measure for the Executive Directors' annual bonus for FY20. This metric already forms part of the annual bonus for Senior Management; and
- ii) remove personal objectives from the Executive Directors' annual bonus scheme to increase focus on the metrics required to drive the strategy of the business and the return of value to shareholders.

The Committee will continue to have an overriding discretion in respect of any bonus payment in accordance with its Remuneration Policy. In addition, any bonus awarded for FY20 will be subject to the new Malus and Clawback provisions set out on page 101.

LTPP

The Committee has agreed to grant an LTPP award to Executive Directors in FY20 (2019/20 LTPP) in line with that set out in the Policy. The Committee is cognisant that such an award should be subject to performance targets which are stretching and challenging whilst aligned with the short and long term performance of the Group and the interests of shareholders. Accordingly, the Committee has agreed that three independent performance conditions: TSR, EPS and Underlying ROCE, will apply to the 2019/20 LTPP and 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 2022.	To ensure efficient and effective management of our business and align interests with those of shareholders.	20%	below 76 pence	76 pence	85 pence
Underlying ROCE for the financial year ending 30 June 2022.	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.

Vesting will be on a straight-line basis between threshold and maximum. In addition, all LTPP awards are subject to overriding Committee discretion, as set out in the Policy table on page 99.

The 2019/20 LTPP will also be subject to the new Malus and Clawback provisions set out on page 101 and a two-year holding period.

Remuneration report

Annual report on remuneration continued

Non-Executive Directors' fees

Given that all Non-Executive Directors sit on the Committee, a sub-committee comprising the Chairman and the three Executive Directors was established to review Non-Executive Directors' fees and to make any recommendations to the Board. It was concluded that in order to ensure that the base fees remain competitive in the market, they should be increased by 2.5% to £332,561 per annum for the Chairman and £63,345 per annum for each of the Non-Executive Directors with effect from 1 July 2019. The additional fees for the Chairs of the Committees and the Senior Independent Director remain unchanged. Accordingly, the annual fees payable to the Non-Executive Chairman and Non-Executive Directors with effect from 1 July 2019 are as follows:

Table 14 – Non-Executive Directors' fees

Role	Fee as at 1 July 2019 £000	Fee as at 1 July 2018 £000
Chairman (2.5% increase)	333	325
Non-Executive Director base fee (2.5% increase)	63	62
Chairman of Audit Committee (no increase)	12	12
Chairman of Remuneration Committee (no increase)	12	12
Chairman of Safety, Health and Environmental Committee (no increase)	6	6
Senior Independent Director (no increase)	8	8

Directors' remuneration outcomes for the year ended 30 June 2019

Single figure of remuneration

The total remuneration for each of the Directors for the financial year ended 30 June 2019 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		Pension benefits £000		Total fixed pay £000		Annual bonus ² £000		LTPP £000		Sharesave scheme £000		Total variable pay £000		2019 Total £000	2018 Total £000
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19 ³	2017/18 ⁴	2018/19 ⁵	2017/18 ⁶	2018/19	2017/18		
David Thomas	739	717	25	26	185	179	949	922	1,066	992	1,598	806	-	-	2,664	1,798	3,613	2,720
Steven Boyes	585	568	41	40	146	142	772	750	872	828	1,265	638	10	6	2,147	1,472	2,919	2,222
Jessica White	412	400	16	20	62	60	490	480	615	583	98	60	-	6	713	649	1,203	1,129
Total	1,736	1,685	82	86	393	381	2,211	2,152	2,553	2,403	2,961	1,504	10	12	5,524	3,919	7,735	6,071

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 Annual bonus includes amounts deferred for David Thomas, Steven Boyes and Jessica White (see Table 19 on page 110).

³ Performance conditions for the LTPP were tested after 30 June 2019. 92.8% 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 2019 (see note 1 of Table 20 on page 111 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 2019 (£5.89 per share).

⁴ In accordance with regulatory requirements, the values in this column have been re-calculated using a share price of £4.97 per share being the market value of the shares on the vesting date, 19 October 2018, as opposed to the market price of £5.53 per share calculated based on an average market value over the three months to 30 June 2018 as disclosed in last year's Remuneration report.

⁵ The Sharesave Scheme granted in April 2015 which matured on 1 July 2018 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 £5.15 being the mid-market close price of a share on the date of maturity.

⁶ The Sharesave Scheme granted in April 2014 which 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 being the mid-market close price of a share on the date of maturity.

Table 16 – Non-Executive Directors' single figure of remuneration (Audited)

	Fees £000		Benefits (taxable) £000		2019 Total £000	2018 Total £000
	2018/19	2017/18	2018/19 ²	2017/18 ³		
John Allan	325	315	2	–	327	315
Richard Akers	88	80	–	1	88	81
Nina Bibby	62	60	–	–	62	60
Jock Lennox	74	70	–	–	74	70
Sharon White ¹	62	35	–	–	62	35
Total	611	560	2	1	613	561

¹ Sharon White joined the Board on 1 January 2018. Sharon White's fees are paid directly to Ofcom on a monthly basis.

² Benefits (taxable) for 2018/19 include expenses incurred in attending the Company's main corporate office and for 2018/19 are £2,114 for John Allan, £393 for Richard Akers, £17 for Nina Bibby and £179 for Sharon White.

³ Benefits (taxable) for 2017/18 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.

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 and is subject to a continued employment condition. All targets, Group and personal, were agreed towards the beginning of the financial year and no Committee discretion has been exercised in relation to the bonus outcome. The Group performance targets and performance against them for FY19 were as follows:

Table 17 – Annual bonus (Audited)

Bonus target	Strategic objective	Targets	Potential bonus weighting % of salary	Actual performance achievement	Bonus achieved % of salary
Profit before tax	Support profitability	Threshold: £835.0m Target: £850.0m Maximum: £900.0m	16.50% 41.25% 82.50%	£909.8m	82.5%
Quality and service improvement ^{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%	SHE 27/27 divisions Customer service 26/27 divisions	21.67%
Strategic objective – margin improvement	To deliver an improvement in regional trading margin to support the profitability of our business	Threshold: 25.8% Target: 26.1% Maximum: 26.5%	7% 11.25% 22.5%	26.7%	22.5%
Strategic objective – trading outlets	To deliver the optimum number of trading outlets to ensure growth and delivery of our business plan	Threshold: 154 Target: 158 Maximum: 161	3.0% 3.75% 7.5%	163 outlets	7.5%
Personal objectives	To focus individuals on 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.

Remuneration report

Annual report on remuneration continued

Executive Directors' personal objectives

The FY19 personal objectives for Executive Directors were set to focus on the achievement of the Group's medium term targets of improving margin and increasing volume whilst maintaining the Group's focus on high standards of quality and customer service. The individual objectives and the performance against each is as follows:

Table 18 – Executive Directors' personal objectives – Audited

Executive Director	Personal objectives	Assessment/outcome	Potential bonus weighting % of salary	Bonus achieved % of salary
David Thomas	Completion volumes			
	a. To reduce the proportion of completions that occur in December and June. Proportion of completions excluding December and June: Threshold: 63%; Target: 64%; Maximum: 65%	Good progress being made with 63.4% of completions (excluding bulk sales) delivered outside of December and June.	3.75%	0.75%
	b. To produce a plan to improve the completion profile by FY21, including specific actions and timescales for delivery, by May 2019.	Plan completed.	3.75%	3.75%
	Low selling sites			
a. Improve the sales rate on low selling sites in each half year. Target (ratio of low selling to top selling sites): H1: 4.2 (based on FY18 H1 performance); H2: 3.7 (based on FY18 H2 performance)	Steps have been taken to drive sales on low selling sites during the year. The ratio was achieved in H1 but not in H2 due to improved top selling site performance.	3.75%	1.875%	
	b. To produce a plan to address the number of low selling sites by May 2019, including specific actions and timescales.	Plan completed.	3.75%	3.75%
Steven Boyes	Timber frame strategy			
	a. Lead discussions on timber frame supply and potential acquisitions. b. Secure supply arrangements with other suppliers as necessary.	Achieved, culminating in the acquisition of Oregon. Achieved.	7.5% 7.5%	7.5% 7.5%
Jessica White	Improve balance sheet resilience Ratio of total indebtedness (net debt/cash plus land creditors) to tangible net assets. Threshold: 25.5%; Target: 20.5%; Maximum: 18.5%	Achieved ratio of total indebtedness to tangible net assets of 15.4%.	7.5%	7.5%
	Improve ROCE Threshold: 25%; Target: 26.5%; Maximum: 28%	ROCE is at 29.7%.	7.5%	7.5%

Executive Directors' deferred bonus

Details of the amount of bonus deferred for each of the Executive Directors are set out in **Table 19** below. The number of shares that will be awarded in respect of the FY19 deferred bonus will be calculated based on the average closing share price for the first five dealing days following the date on which the Group publishes its FY19 annual results, and will be announced via a Regulatory Information Service when the shares are awarded.

Table 19 – Executive Directors' deferred bonus

	FY19 deferred bonus				FY18 deferred bonus			
	Annual bonus for 2018/19 £000	% of salary payable	% of salary in cash	% of salary deferred ¹	Amount deferred £000	% of salary deferred ¹	Amount deferred £000	Number of shares ^{2,3}
David Thomas	1,066	144.3	100	44.3	327	38.3	275	49,445
Steven Boyes	872	149.2	100	49.2	287	45.8	260	46,787
Jessica White	615	149.2	100	49.2	203	45.8	183	32,973

¹ The Executive Directors earned between 144.3% and 149.2% of base salary for FY19 and between 138.3% and 145.8% of base salary for FY18. 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 granted during the year were calculated at a share price of £5.56 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 2018.

Long Term Performance Plans

Vesting of 2016/17 LTPP (included in 2019/20 single figure of remuneration) (Audited)

The 2016/17 LTPP award granted on 14 December 2016 was based on performance to the year ended 30 June 2019. As the grant of this award was delayed due to the uncertainties surrounding the timing of the UK's departure from the EU, the Committee has agreed that this award will vest in October 2019, being the date it would vest under normal circumstances. The performance conditions for this award, each of which has equal weighting, and the resulting vesting levels are as follows:

Table 20 - Vesting of 2016/17 LTPP

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 2019.	58p	70p	Basic EPS 72.6p ²	33.3%	50%
ROCE	To increase ROCE.	25%	28%	29.7%	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 46.5 (TSR of 19.2%)	Upper quartile ranking of 23.75 (TSR of 44.2%)	Rank of 30.3 (TSR of 36.8%)	26.2%	N/A
Total level of award vesting					92.8%	100%

¹ In line with other participants below Board and Executive Committee level, on 14 December 2016 Jessica White was awarded an incentive award under the LTPP equivalent to 50% of her base salary as at 1 July 2016. The performance of this award 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 73.2 pence has been re-based using the corporation tax rate applicable at the date on which the 2016/17 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 16/17 LTPP targets. The re-based EPS used for the purpose of determining vesting, which is directly comparable to the 2016/17 LTPP targets, was 72.6 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 2016/17 LTPP was justified. No Committee discretion was exercised in relation to the LTPP vesting outcome, the gross number of shares to be released to each of the Executive Directors is as follows:

Table 21 - 2016/17 LTPP Vesting outcomes

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	292,370	271,319	21,051	271,319	1,598
Steven Boyes	231,387	214,727	16,660	214,727	1,265
Jessica White	16,596	16,596	-	16,596	98

¹ The relevant number of shares will be released to each participant as soon as is practicable following the vesting date. For David Thomas and Steven Boyes, the awards are subject to a two-year holding period commencing 1 July 2019.

² The estimated value of the vested shares is based on the average share price during the three months to 30 June 2019 (£5.89 per share).

Remuneration report

Annual report on remuneration continued

LTPP granted during the year (2018/19 LTPP) (Audited)

On 22 October 2018, the following 2018/19 LTPP awards were granted to Executive Directors:

Table 22 - LTPP granted during the year

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 £738,685	542.3	272,426	1,477	25	
Steven Boyes	Conditional award	200% of salary £584,607	542.3	215,602	1,169	25	Three financial years to 30 June 2021
Jessica White	Conditional award	200% of salary £412,000	542.3	151,945	824	25	

¹ Based on 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 on 21 October 2018, of £5.42.

The 2018/19 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 2018, and against EPS and ROCE for the financial year ending 30 June 2021. On completion of the performance period, assuming that shares vest, they will be subject to a further two-year holding period. The Committee agreed that the 2018/19 LTPP will accrue dividend equivalents in accordance with the rules of the scheme. The amount of dividend equivalent to be paid, in cash, on vesting will be pro-rated in line with the number of shares that actually vest.

The following tables show the targets set on grant for each of the current LTPP awards together with performance to date.

Table 23 – 2017/18 Award performance against targets

The table below shows the potential level of vesting if performance was measured over a two-year period to 30 June 2019:

Performance target	Below Threshold (0% vesting)	Threshold (25% vesting)	Maximum (100% vesting)	Performance as at 30 June 2019	Level of vesting had the award vested as at 30 June 2019
TSR FTSE ¹	Below median	Median	Upper quartile	Above median	14.9%
TSR Housebuilder ²	Below unweighted index average	Unweighted index average	Unweighted index average +8% p.a.	Above unweighted index average	16.9%
EPS	<66 pence	66 pence	74 pence	72.6 pence	17.4%
Underlying ROCE	<19.0%	19.0%	22.0%	22.7%	40.0%
Total					89.2%

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.

The 2017/18 LTPP will also accrue dividend equivalents in line with that set out above for the 2018/19 LTPP.

Table 24 – 2018/19 Award performance against targets

Outlined below is the potential level of vesting for the 2018/19 LTPP, had the performance period been for one year to 30 June 2019:

Performance target	Below Threshold (0 % vesting)	Threshold (25% vesting)	Maximum (100% vesting)	Performance as at 30 June 2019	Level of vesting had the award vested as at 30 June 2019
TSR FTSE ¹	Below median	Median	Upper quartile	Upper quartile	20.0%
TSR Housebuilder ²	Below unweighted index average	Unweighted index average	Unweighted index average +8% p.a.	Above unweighted index average +8% p.a.	20.0%
EPS	<75 pence	75 pence	84 pence	72.6 pence	1.0%
Underlying ROCE	<19.0%	19.0%	22.0%	22.7%	40.0%
Total					81.0%

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.

Statement of Directors' shareholding and share interests (Audited)

For the financial year ended 30 June 2019 Executive Directors were required to hold shares in the Company equivalent in value to 200% of salary. The 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. The share price used for the purposes of determining the value of the shares is that prevailing on 30 June of the given year. Participants who have not built up the required level of shareholding by the fifth anniversary of joining the Board, 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 Director's control. 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.

At 30 June 2019, both David Thomas and Steven Boyes have met the shareholding requirement. Jessica White has until 21 June 2022 to meet the shareholding requirement. To be classified as a 'good leaver' in the event they decide to leave the Company, the Chief Executive and other Executive Directors will be required to commit to retaining a total holding in the Company's shares of 100% and 75% (respectively) of the value of their final salaries for two years after they leave.

It is the Committee's intention during FY20 to review its policy on shareholding guidelines for Executive Directors leaving the Company, taking into consideration recent changes to market practice and investor guidelines.

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 1 July 2019, 4,297 of David Thomas' Sharesave options vested, and on 22 July 2019 the Company was notified that David Thomas exercised his option over these shares and retained all of them. On 30 July 2019, David Thomas sold 500,000 shares. No other notification has been received of any change in the interests shown during the period 30 June 2019 to 2 September 2019 inclusive.

Remuneration report

Annual report on remuneration continued

Table 25 – Directors' interests in shares as at 30 June 2019 (Audited)

	Beneficially owned	Other shares held		Options	Shareholding requirements		
		Interests subject to performance conditions (LTTP)	Interests not subject to performance conditions (DBP)	Interests in Sharesave options ¹	Shareholding requirement % salary	Current shareholding % salary ⁴	Shareholding requirement met?
Executive Directors							
David Thomas ²	1,318,891	791,103	167,129	10,299	200%	1,153%	Y
Steven Boyes ³	752,352	626,092	139,924	3,943	200%	875%	Y
Jessica White	59,041	294,763	33,731	6,465	200%	129%	N ⁵
Non-Executive Directors							
John Allan	76,705						
Richard Akers	60,000						
Nina Bibby	8,500						
Jock Lennox	10,000						
Sharon White	–						

The Chairman and Non-Executive Directors are not awarded incentive shares and are not subject to a shareholding requirement

- ¹ All of these options were unvested at 30 June 2019. On 1 July 2019, 4,297 of David Thomas' Sharesave options vested. Details of his subsequent exercise of these options are provided on page 113.
- ² David Thomas was granted 2,890 Sharesave options during the year. The option price of the award was £5.19, representing an approximate 15% discount on the average share price for the five business days immediately before the invitation to participate in the award (£6.11). The number of shares granted was based on the option price and the total savings amount forecast at the end of the five-year savings period. The face value of the options based on the average share price above was £17,658. There are no performance targets associated with this award. The shares are exercisable between 1 July 2024 and 31 December 2024.
- ³ On 30 July 2018, Steven Boyes exercised his option to purchase 2,013 Sharesave shares, all of which he retained. The exercise price was £4.47 and the price on the date of exercise was £5.29, giving an aggregate gain of £1,651.
- ⁴ The share price used for the purposes of determining the value of the shares is £5.73, being the mid market closing price on 30 June 2019.
- ⁵ Jessica White was appointed to the Board on 22 June 2017 and has five years from this date to meet the shareholding requirement.

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.

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. On 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 Executive Director has opted to receive a cash supplement in lieu of pension. For FY19, David Thomas and Steven Boyes received an amount equal to 25% of base salary in line with market practice at the time of their appointment. Jessica White received an amount equal to 15% of base

salary in line with Remuneration Policy for new Executive Directors at the date of her appointment. Only the base salary element of a Director's remuneration is pensionable.

As part of the upcoming policy review, the Committee will consider pension contributions (or cash supplements) for existing Executive Directors.

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 2019.

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. His 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 2019 was £61,982 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 2016 showed a deficit of £69.3m calculated on the basis of the Scheme's technical provisions. 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 are to be made until the Scheme is fully funded. An additional one-off contribution of £4.5m was made by the Company on 22 January 2019. The valuation for the Financial Statements was updated as at 30 June 2019 by a qualified independent actuary and a surplus of £62.6m (2018: surplus of £58.7m) 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 2019 (30 June 2018: £nil).

Payments for loss of office (Audited)

No payments were made in respect of loss of office during the year ended 30 June 2019 (30 June 2018: £nil).

Chief Executive's relative pay

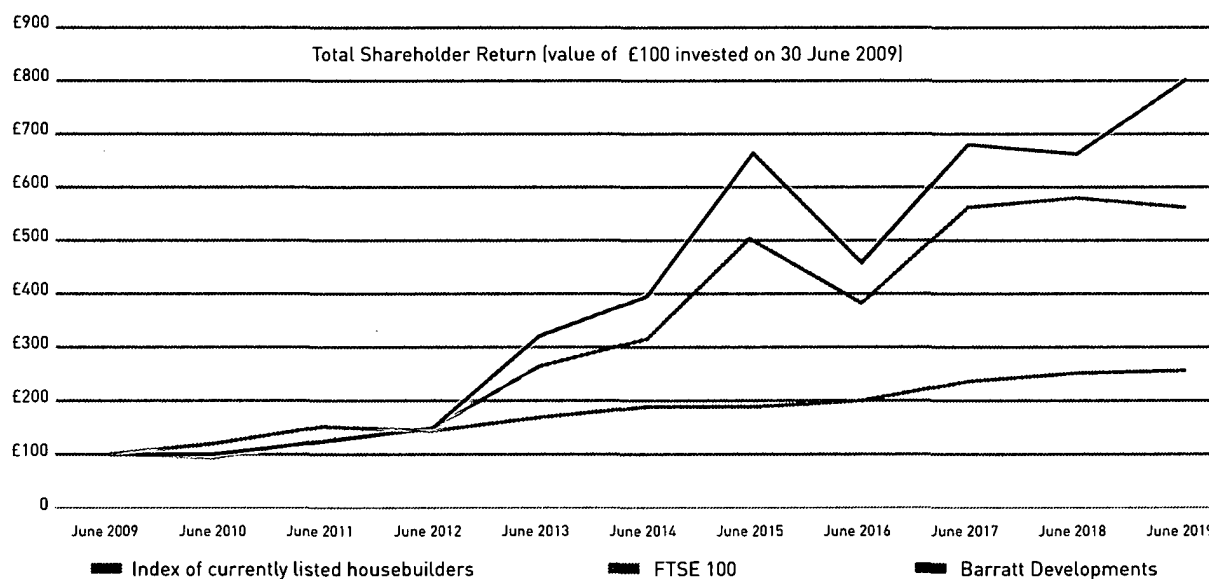
Table 26 sets out: (i) the total pay, calculated in line with the single figure methodology; (ii) the annual bonus payout as a percentage of maximum; and (iii) LTI vesting level for the Chief Executive over a ten-year period (David Thomas for FY16 to FY19 and Mark Clare for FY10 to FY15):

Table 26 – Chief Executive's pay (Audited)

	Ten years to 30 June 2019									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Chief Executive's total pay (£000)	1,417	1,220	2,099	4,310	6,430	7,363	3,155	3,331	2,720	3,613
Bonus outturn (as a percentage of maximum opportunity)	90.2	36.6	99.2	100.0	100.0	93.2	97.4	97.5	92.2	96.2
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	92.8

TSR performance graph

The graph below, prepared in accordance with the regulations, shows the TSR performance over the last ten years against the FTSE 100 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.



Source: Datastream by Refinitiv.

Remuneration report

Annual report on remuneration continued

Percentage change in remuneration of Chief Executive compared to employees

Table 27 shows the percentage change in salary, benefits and annual bonus earned by the Director undertaking the role of Chief Executive on 30 June 2018 and 30 June 2019, compared to that of the average pay of all employees of the Group.

Table 27 – Percentage change in remuneration

	Salary	Benefits	Annual bonus
	% change	% change	% change
Chief Executive	3.1	-3.8	7.5
Average pay of all employees	2.9	7.4	2.9

Chief Executive pay ratio

Table 28 below compares the 2019 single total figure of remuneration for the Chief Executive with that of the Group employees who are paid at the 25th percentile (lower quartile), 50th percentile (median) and 75th percentile (upper quartile) of its UK employee population.

Table 28 – Chief Executive pay ratio

	2019
Method	Option B
25th percentile pay ratio	123:1
Median pay ratio	88:1
75th percentile pay ratio	59:1

The remuneration figures for the employee at each quartile were determined with reference to 30 June 2019.

Under Option B of The Companies (Miscellaneous Reporting) Regulations 2018, the latest available gender pay gap data (i.e. from April 2019) was used to identify the best equivalent for three Group UK employees whose hourly rates of pay were at the 25th, 50th and 75th percentiles for the Group. A full-time equivalent total pay and benefits figure for the 2018/19 financial year was then calculated for each of those employees. This was also sense checked against a sample of employees with hourly pay rates either side of the identified individuals to ensure that the appropriate representative employee had been selected. The pay ratios outlined above were then calculated as the ratio of the Chief Executive's single figure to the total pay and benefits of each of these employees.

As explained above, a small group of employees either side of the quartile points identified from the gender pay gap data were also considered to ensure that the identified employees reflect the best equivalents for each quartile. Each employee's pay and benefits were calculated using each element of employee remuneration on a full-time basis, consistent with the Chief Executive. No adjustments (other than the approximate up-rating of pay elements to achieve full-time equivalent rates) were made and no components of pay have been omitted.

The table below sets out the salary and total pay and benefits for the three identified quartile point employees:

	25th percentile (P25)	Median (P50)	75th percentile (P75)
Salary	£27,125	£34,490	£52,165
Total pay and benefits	£29,345	£40,887	£60,881

The Committee considers that the median Chief Executive pay ratio is consistent with the relative roles and responsibilities of the Chief Executive and the identified employee. Base salaries of all employees, including our Executive Directors, are set with reference to a range of factors, including market practice, experience and performance in role. The Chief Executive's remuneration package is weighted towards variable pay (including the annual bonus and LTPP) due to the nature of the role, and this means the ratio is likely to fluctuate depending on the outcomes of incentive plans in each year.

The Committee also recognises that, due to the nature of the Group's business and the ways in which we employ individuals, the flexibility permitted within the regulations for identifying and calculating the total pay and benefits for employees, as well as differences in employment and remuneration models between companies, the ratios reported above may not be comparable to those reported by other companies.

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

	2019 £m	2018 £m	% change
Staff costs (including Executive Directors) ¹	427.1	390.5	9.4
Profit from operations ²	901.1	862.6	4.5
Total capital return ³	469.2 ³	442.2	6.1

¹ See note 6.1 to 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 9.6 pence per share paid on 7 May 2019 to those shareholders on the register as at the close of business on 12 April 2019 and a final dividend of 19.5 pence per share and a special dividend of 17.3 pence per share, the value of which has been calculated on the number of shares in issue as at 30 June 2019. The final dividend and special dividend, if approved by shareholders at the 2019 AGM, will be paid on 5 November 2019 to those shareholders on the register at the close of business on 11 October 2019.

Non-executive directorships

Details of the Group's policy on non-executive directorships held by Executive Directors is given in the summary of Directors' Remuneration Policy on page 103. Neither Steven Boyes nor Jessica White held any non-executive directorships with other companies during the year. David Thomas joined the board of the HBF as a non-executive director on 26 April 2018 for which he does not receive a fee.

Statement of shareholding vote at AGM

The latest resolution to approve the Directors' Remuneration Policy (binding vote to remain in place for three years following its approval by shareholders) was proposed to shareholders at the 2017 AGM and the following votes were received:

Table 30 – Vote on Remuneration Policy - 2017 AGM

	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	-

At the 2018 AGM, a resolution was proposed to shareholders to approve the Annual report on remuneration (advisory vote) for the year ended 30 June 2018 (Table 31) for which the following votes were received:

Table 31 – Vote on Remuneration report - 2018 AGM

	Number of votes	% votes cast
Votes cast in favour	665,895,729	98.64
Votes cast against	9,199,633	1.36
Total votes cast	675,095,362	100.00
Votes withheld	210,125	-

This Remuneration report was approved by the Board on 3 September 2019 and signed on its behalf by:

Richard Akers
Non-Executive Director
3 September 2019



Other statutory disclosures

Directors' Report

The Directors' Report for the financial year ended 30 June 2019 comprises pages 66 to 122 inclusive, together with the sections incorporated by reference. Any matters on which the Directors are required to report annually, but which do not appear in any other section of this report, are detailed, below.

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 returns when the financial position of the Company justifies the payment, subject to shareholder approval. The special returns can be made through share buybacks, special dividends, or a combination of both. The Board may pay interim dividends, and also any fixed rate dividends, whenever the financial position of the Company justifies their payment in the opinion of the Board. If the Board acts in good faith, it is not liable to holders of shares with preferred or *pari passu* rights for losses arising from the payment of interim or fixed dividends on other shares. The Board may withhold payment of all or any part of any dividends or other monies payable in respect of the Company's shares from a person with a 0.25% interest (as defined in the Articles) 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 2019 was £739.4m (2018: £671.5m).

An interim dividend of 9.6 pence per share was paid on 7 May 2019 to those shareholders on the register as at close of business on 12 April 2019 (2018: 8.6 pence per share). The Directors recommend the payment of a final dividend of 19.5 pence per share (2018: 17.9 pence per share) in respect of the financial year ended 30 June 2019.

The Directors also recommend the payment of a special dividend of 17.3 pence per share (2018: 17.3 pence per share) under the Capital Return Plan (see pages 18 and 19 for further details).

Both the final dividend and the special dividend will, subject to shareholder approval at the 2019 AGM, be paid on 5 November 2019 to those shareholders on the register at the close of business on 11 October 2019. If approved, the total dividend (including the special dividend) for FY19 is 46.4 pence per share (2018: 43.8 pence per share).

Strategic Report

The Group's Strategic Report is set out on pages 1 to 65 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 (pages 52 and 53); our approach to diversity and details of diversity within the Group together with the application of employment policies to disabled persons (pages 44 and 45); involvement of and engagement with our employees (pages 24 to 26); an indication of likely future developments in the Group including in the field of research and development (pages 38 and 41) and the Group's Risk management and Principal risks (pages 57 to 64).

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 has been 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 the Modern Slavery Act 2015. This statement can be found at www.barrattdevelopments.co.uk/sustainability/our-policies.

The Company has also published its second 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 page 45.

In addition, details of the Company's approach to dealing with environmental issues in its operations and the impact of and management of risks associated with ESG matters are contained throughout the Strategic Report on pages 2 to 65, in addition to being found in the sustainability section of the Company's website.

The Group's financial assets and financial liabilities are detailed in note 5.3 to the Financial Statements. Details of the Group's liquidity, market price, credit and cash flow risks are set out in note 5.4 to the Financial Statements.

Annual General Meeting

The 2019 AGM will be held at The Royal College of Physicians, 11 St Andrews Place, Regent's Park, London NW1 4LE on Wednesday, 16 October 2019 at 12 noon. The notice convening the 2019 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 ended 30 June 2019 and as at the date of this report can be found on pages 68 and 69.

The beneficial interests of the Directors and their 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 2019, and as at the date of this report are disclosed in the Remuneration report in **Table 25** on page 114.

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 page 82.

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 transaction 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. However, the definition of political donations under the Companies Act 2006 is very broad. During FY19, it was agreed that the Chief Executive would present to the Conservative Councillors' Association annual conference about the Group and issues facing the housing industry. The Company paid £7,000 to sponsor the dinner attended by around 200 people at which this presentation took place.

Offices

The Group had 27 offices (excluding non-housebuilding divisions and those offices undertaking an administrative function only) located throughout Britain at the end of the financial year. The Group also has representative offices in Beijing and Shanghai, China. A full list of the Group's offices and their locations can be obtained from the Company Secretary at the Company's registered office or from its website www.barrattddevelopments.co.uk.

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 on page 179. 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 17 October 2018, the Directors were given authority to allot shares up to a nominal value of £33,796,799 (representing one-third of the nominal value of the Company's issued share capital as at 7 September 2018), such authority to remain valid until the end of the 2020 AGM or, if earlier, until the close of business on 17 January 2021. A resolution to renew this authority will be proposed at the 2019 AGM.

Other statutory disclosures

continued

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.

Details of restrictions of voting rights are provided in the Notice of AGM.

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 17 October 2018, shareholders gave authority to the Company to buy back up to an aggregate of 101,390,390 ordinary shares (representing 10% of the Company's issued share capital). This authority is valid until the end of the 2019 AGM or, if earlier, until the close of business on 17 January 2020. 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 2019 AGM.

Shareholder arrangements to waive dividends

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 on page 179.

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. Further information is provided in the Stakeholder engagement section of the Strategic Report on page 29.

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 111 to 114.

Articles of Association

The Company's 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.barrattddevelopments.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 2019. The Senior Accounting Officer receives regular updates on tax matters. In addition, taxation is discussed by the Audit Committee at least annually.

Significant agreements with change of control provisions

The following significant agreements as at 30 June 2019 contained provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company:

- The RCF agreement dated 14 May 2013 (as amended in December 2014, June and December 2016 and November 2018) made between, amongst others, the Company, Lloyds Bank plc (as the facility agent) and the banks and financial institutions named therein as lenders (the 'RCF 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 RCF Agreement and declare all amounts outstanding in respect of such lender under the RCF Agreement immediately due and payable. The RCF 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 ten 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.

In addition, the Company's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control subject to the satisfaction of any performance conditions at that time.

There are no other significant agreements that take effect upon a change of control.

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 in note 1.3 to the Financial Statements.) 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

3 September 2019

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 68 and 69. By order of the Board

David Thomas
Chief Executive

Jessica White
Chief Financial Officer

3 September 2019

3 September 2019

The Directors' Report from pages 66 to 122 inclusive was approved by the Board on 3 September 2019 and is signed on its behalf by:

Tina Bains
Company Secretary

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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 2019 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 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: <ul style="list-style-type: none"> • margin recognition
Materiality	The materiality that we used for the Group Financial Statements was £44.0m, which was determined on the basis of 5% of statutory profit before tax.
Scoping	Our scoping focused on the audit work of the three components, being housebuilding, commercial developments and joint ventures (JVs). All audit work was completed directly by the Group audit team. This is broadly consistent with the prior year.
Significant changes in our approach	We have refined our key audit matter from last year to focus on margin recognition where there is greater risk. Our prior year key audit matter included the valuation of inventory however due to the Group's strong performance and forecast profitability we do not consider there to be the same level of risk relating to the valuation of the inventory. In the current year we have identified JVs as a separate component.

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 twelve months from the date of approval of the Financial Statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

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.

Going concern is the basis of preparation of the Financial Statements that assumes an entity will remain in operation for a period of 12 months from the start of the Financial Statements.

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 59 to 64 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 57 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 65 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.

Viability means the ability of the Company to continue over the time horizon considered appropriate by the Directors.

We confirm that we have nothing material to report, add or draw attention to in respect of the Directors' disclosure of principal risks and viability.

Independent Auditor's Report

to the members of Barratt Developments PLC

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.

Margin recognition

Key audit matter description The Group's valuation and cost allocation framework 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 a development. This cost allocation framework drives the recognition of costs, and hence profit, as each unit is sold which is the key judgement in the income statement and is where fraud could potentially 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 margin is a key metric for the Group.

Refer to page 88 (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 controls governing site valuations, specifically those relating to the valuation of sites and margin review;
- Used bespoke analytics to analyse the cost to complete on all sites within plot financials. This enabled us to analyse disaggregated elements of cost to complete on all the sites and compare against budgeted positions and Group averages. We performed inquiries and obtained corroborative evidence from divisions for exceptions identified;
- Attended a number of valuation meetings in all regions 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;
- Made enquiries of Management to support their assumptions and seek external corroboration 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 also evaluated and assessed significant variances with Management;
- Analysed journal postings and additions made to the inventories 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; and
- Assessed a sample of cost busts and savings, where there has been significant variances to the original budgeted site costs, identified and understood the nature of them.

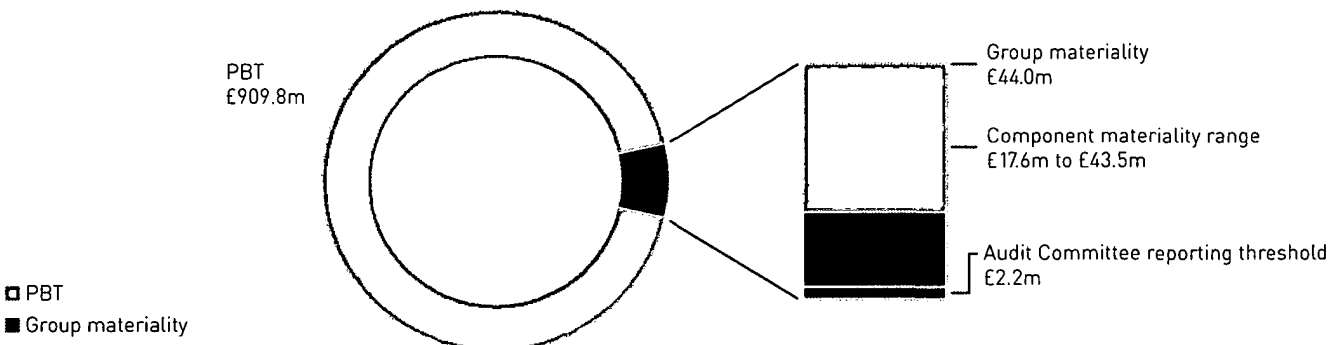
Key observations Based on the procedures performed, we concluded that the Group's cost allocation framework appears reasonable for the intended purpose of recognising appropriate margins on unit completion. The accounting for cost allocation, both at site start and on an ongoing basis is in line with this framework.

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	£44.0m (2018: £41.7m)	£39.6m (2018: £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 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 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.



Some of the tests in our audit are based on a sampling approach. Given that it is possible there may be undetected errors in the population not sampled, we set performance materiality at a lower level to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2019 audit (2018: 70%). In determining performance materiality, we consider factors including:

- our risk assessment, including our assessment of the Group's overall control environment and that we consider it appropriate to rely on controls over a number of business processes; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2.2m (2018: £2.1m), 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. Controls are common across the Group and there are three identified components, being housebuilding, commercial developments and joint ventures, which takes into consideration all of the Group's divisions, as well as the head office consolidation. Consistent with prior years, we choose to visit a selection of the Group's divisions, which included the Group's London housebuilding divisions as well as a sample of non-London housebuilding divisions across each of the Group's regions, selected on a rotational and risk basis and with reference to their size and complexity. In the current year we visited six divisions (2018: eight).

We test the internal controls over significant risks, including the key audit matter of margin recognition. We also obtain an understanding of other key controls which we would expect to find in a housebuilder group, namely those over land and work in progress and those over subcontractor and other expenses; we test each of these every other year, and this year we tested those relating to land and work in progress. Our IT specialists test the internal controls over the three key IT systems and gain an understanding over other supporting systems.

Independent Auditor's Report

to the members of Barratt Developments PLC

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, 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 Financial Statements 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.

In reaching this conclusion, we tied in the financial and a sample of non-financial information to supporting documentation, considered the completeness of the principal risks and uncertainties compared to the audit risks we identified during the audit and the Group's risk register and reviewed board papers where the Board set out their rationale as to why the other information was fair, balanced and understandable.

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 assessing the following:

- the nature of the housing and commercial property development sectors, the control environment and business performance including the design of the Company's remuneration policies;
- the Company's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of enquiring of management, Internal Audit, the Group's in-house legal counsel and the Audit Committee, about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their 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;
- the matters discussed among the engagement team and involving relevant internal specialists, including tax, valuations, pensions, and IT specialists regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud.

We also obtained 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 the UK Companies Act; Listing Rules; pensions legislation; and tax legislation). In addition, we considered laws or regulations that had a fundamental effect on the operations of the Group (which included compliance with planning law, health and safety law and environmental law).

Audit response to risks identified

As a result of performing the above, we identified 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 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 described above as having a direct effect on the Financial Statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, 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, such as the disposals of the share in the Aldgate joint venture, Barratt Residential Asset Management Ltd and the acquisition of Oregon Timber Frame Ltd that occurred during the year.

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

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 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 ending 30 June 2008 and subsequent financial periods. Following a competitive tender process, we were reappointed as auditor for the period ending 30 June 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is twelve years, covering the years ending 30 June 2008 to 30 June 2019.

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
3 September 2019

Consolidated Income Statement

Year ended 30 June 2019

<i>Continuing operations</i>	Notes	2019 £m	2018 ¹ £m
Revenue	2.1, 2.2	4,763.1	4,874.8
Cost of sales		(3,678.9)	(3,865.9)
Gross profit		1,084.2	1,008.9
Analysed as:			
Adjusted gross profit		1,087.4	1,015.9
Cost associated with legacy properties	2.2	(3.2)	(7.0)
Administrative expenses	2.3	(183.1)	(146.3)
Profit from operations	2.3	901.1	862.6
Analysed as:			
Adjusted operating profit		904.3	869.6
Cost associated with legacy properties	2.2	(3.2)	(7.0)
Finance income	5.2	7.1	3.5
Finance costs	5.2	(35.9)	(48.6)
Net finance costs	5.2	(28.8)	(45.1)
Share of post-tax profit from joint ventures	4.3	39.2	18.6
Analysed as:			
Adjusted share of post-tax profit from joint ventures	4.3	46.2	18.6
Cost associated with legacy properties	4.3	(7.0)	-
Loss on disposal of joint ventures	4.1.3	(1.7)	-
Share of post-tax loss from associates	4.3	-	(0.6)
Profit before tax		909.8	835.5
Analysed as:			
Adjusted profit before tax		920.0	842.5
Cost associated with legacy properties	2.2	(10.2)	(7.0)
Tax	2.6	(170.4)	(164.0)
Profit for the year		739.4	671.5
Profit for the year attributable to the owners of the Company		740.0	671.7
Loss for the year attributable to non-controlling interests	4.1.2	(0.6)	(0.2)
Earnings per share from continuing operations			
Basic	2.4	73.2p	66.5p
Diluted	2.4	72.3p	65.9p

¹ The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

The notes on pages 138 to 201 form an integral part of these Financial Statements.

Consolidated Statement of Comprehensive Income

Year ended 30 June 2019

	Notes	2019 £m	2018 ¹ £m
Profit for the year		739.4	671.5
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Actuarial (loss)/gain on defined benefit pension scheme	6.2.2	(15.4)	29.2
Tax credit/(charge) relating to items not reclassified		2.9	(5.5)
Total items that will not be reclassified to profit or loss		(12.5)	23.7
Items that may be reclassified subsequently to profit or loss			
Amounts deferred in respect of effective cash flow hedges	5.2	-	0.8
Amounts reclassified to the Income Statement in respect of hedged cash flows	5.2	-	(0.8)
Total items that may be reclassified subsequently to profit or loss		-	-
Total comprehensive income recognised for the year		726.9	695.2
Total comprehensive income recognised for the year attributable to the owners of the Company		727.5	695.4
Total comprehensive expense recognised for the year attributable to non-controlling interests	4.1.2	(0.6)	(0.2)

¹ The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

The notes on pages 138 to 201 form an integral part of these Financial Statements.

Statement of Changes in Shareholders' Equity – Group

	Share capital (note 5.5.1) £m	Share premium £m	Merger reserve (note 4.1.1) £m	Hedging reserve (note 5.3.4) £m	Own shares (note 5.5.2) £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 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)
Transfers in respect of share options	-	-	-	-	3.4	(13.6)	10.3	0.1	-	0.1
Tax on share-based payments	-	-	-	-	-	(2.3)	2.7	0.4	-	0.4
At 30 June 2018 as previously reported	101.3	232.6	1,109.0	-	(1.2)	18.0	3,130.5	3,147.3	7.5	4,597.7
Effect of changes in accounting policies ¹	-	-	-	-	-	-	(4.5)	(4.5)	-	(4.5)
At 1 July 2018 as adjusted for changes in accounting policies	101.3	232.6	1,109.0	-	(1.2)	18.0	3,126.0	3,142.8	7.5	4,593.2
Profit/(loss) for the year	-	-	-	-	-	-	740.0	740.0	(0.6)	739.4
Actuarial loss on pension scheme	-	-	-	-	-	-	(15.4)	(15.4)	-	(15.4)
Tax on items above taken directly to equity	-	-	-	-	-	-	2.9	2.9	-	2.9
Total comprehensive income/(expense) recognised for the year ended 30 June 2019	-	-	-	-	-	-	727.5	727.5	(0.6)	726.9
Dividend payments	-	-	-	-	-	-	(452.3)	(452.3)	-	(452.3)
Issue of shares	0.4	6.7	-	-	-	-	-	-	-	7.1
Share-based payments	-	-	-	-	-	14.1	-	14.1	-	14.1
Purchase of own shares	-	-	-	-	(21.7)	-	-	(21.7)	-	(21.7)
Transfers in respect of share options	-	-	-	-	7.8	(12.4)	4.7	0.1	-	0.1
Tax on share-based payments	-	-	-	-	-	1.2	0.4	1.6	-	1.6
At 30 June 2019	101.7	239.3	1,109.0	-	(15.1)	20.9	3,406.3	3,412.1	6.9	4,869.0

¹ The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

The notes on pages 138 to 201 form an integral part of these Financial Statements.

Statement of Changes in Shareholders' Equity – Company

	Share capital (note 5.5.1) £m	Share premium £m	Merger reserve (note 4.1.1) £m	Hedging reserve (note 5.3.4) £m	Own shares (note 5.5.2) £m	Share-based payments (note 6.3) £m	Retained earnings £m	Total retained earnings £m	Total equity £m
At 1 July 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)
Transfers in respect of share options	-	-	-	-	3.4	(13.6)	0.9	(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
Profit for the year	-	-	-	-	-	-	576.9	576.9	576.9
Actuarial loss on pension scheme	-	-	-	-	-	-	(15.4)	(15.4)	(15.4)
Tax on items above taken directly to equity	-	-	-	-	-	-	2.9	2.9	2.9
Total comprehensive income recognised for the year ended 30 June 2019	-	-	-	-	-	-	564.4	564.4	564.4
Dividend payments	-	-	-	-	-	-	(452.3)	(452.3)	(452.3)
Issue of shares	0.4	6.7	-	-	-	-	-	-	7.1
Share-based payments	-	-	-	-	-	14.1	-	14.1	14.1
Purchase of own shares	-	-	-	-	(21.7)	-	-	(21.7)	(21.7)
Transfers in respect of share options	-	-	-	-	7.8	(12.4)	2.7	(1.9)	(1.9)
Tax on share-based payments	-	-	-	-	-	0.4	-	0.4	0.4
At 30 June 2019	101.7	239.3	1,109.0	-	(15.1)	20.4	2,052.8	2,058.1	3,508.1

The notes on pages 138 to 201 form an integral part of these Financial Statements.

Balance Sheets

At 30 June 2019

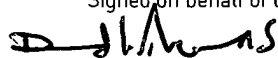
	Notes	Group		Company	
		2019 £m	2018 ¹ £m	2019 £m	2018 £m
Assets					
Non-current assets					
Other intangible assets	4.2.2	102.3	100.0	-	-
Goodwill	4.2.1	805.9	792.2	-	-
Property, plant and equipment	4.5	17.4	11.6	7.7	5.4
Investments in subsidiary undertakings	4.1.5	-	-	3,085.9	3,085.3
Investments in joint ventures and associates	4.3	189.0	234.1	-	-
Retirement benefit assets	6.2.2	62.6	58.7	62.6	58.7
Secured loans	3.4	1.4	3.1	-	-
Trade and other receivables	3.2	1.5	3.1	-	-
		1,180.1	1,202.8	3,156.2	3,149.4
Current assets					
Inventories	3.1	4,824.3	4,516.7	-	-
Secured loans	3.4	1.2	0.3	-	-
Trade and other receivables	3.2	223.6	226.8	87.2	86.0
Cash and cash equivalents	5.1	958.3	982.4	886.6	867.4
		6,007.4	5,726.2	973.8	953.4
Total assets		7,187.5	6,929.0	4,130.0	4,102.8
Liabilities					
Non-current liabilities					
Loans and borrowings	5.1	(200.0)	(191.1)	(200.0)	(191.1)
Trade and other payables	3.3	(413.5)	(566.7)	-	-
Deferred tax liabilities	2.6.3	(17.6)	(25.3)	(7.8)	(8.6)
		(631.1)	(783.1)	(207.8)	(199.7)
Current liabilities					
Loans and borrowings	5.1	-	-	(49.9)	(71.1)
Trade and other payables	3.3	(1,587.9)	(1,462.4)	(364.2)	(434.0)
Current tax liabilities		(99.5)	(85.8)	-	-
		(1,687.4)	(1,548.2)	(414.1)	(505.1)
Total liabilities		(2,318.5)	(2,331.3)	(621.9)	(704.8)
Net assets		4,869.0	4,597.7	3,508.1	3,398.0
Equity					
Share capital	5.5.1	101.7	101.3	101.7	101.3
Share premium		239.3	232.6	239.3	232.6
Merger reserve	4.1.1	1,109.0	1,109.0	1,109.0	1,109.0
Retained earnings		3,412.1	3,147.3	2,058.1	1,955.1
Equity attributable to the owners of the Company		4,862.1	4,590.2	3,508.1	3,398.0
Non-controlling interests	4.1.2	6.9	7.5	-	-
Total equity		4,869.0	4,597.7	3,508.1	3,398.0

¹ The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

The notes on pages 138 to 201 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 3 September 2019.

Signed on behalf of the Board:



David Thomas
Chief Executive



Jessica White
Chief Financial Officer

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 £576.9m (2018: £536.5m).

Cash Flow Statements

Year ended 30 June 2019

	Notes	Group		Company	
		2019 £m	2018 ¹ £m	2019 £m	2018 £m
Net cash inflow/(outflow) from operating activities (page 137)		361.3	514.3	(85.4)	(124.2)
Investing activities:					
Purchase of property, plant and equipment	4.5	(7.2)	(7.5)	(4.1)	(3.7)
Consideration, net of cash acquired, paid on acquisition of subsidiaries	4.1.4	(15.8)	-	-	-
Proceeds, net of cash disposed of, from the disposal of subsidiaries		4.6	-	-	-
Increase in amounts invested in entities accounted for using the equity method	4.3	(51.0)	(58.6)	-	-
Repayment of amounts invested in entities accounted for using the equity method	4.3	66.9	11.7	-	-
Dividends received from investments accounted for using the equity method	4.3	60.3	41.8	-	-
Proceeds from the disposal of investments accounted for using the equity method	4.1.3	18.6	-	-	-
Dividends received from subsidiaries		-	-	593.6	560.0
Interest received		5.1	2.9	3.2	3.5
Net cash inflow/(outflow) from investing activities		81.5	(9.7)	592.7	559.8
Financing activities:					
Dividends paid to equity holders of the Company	2.5	(452.3)	(434.9)	(452.3)	(434.9)
Distribution made to non-controlling partner	4.1.2	-	(1.4)	-	-
Purchase of own shares		(21.7)	(3.3)	(21.7)	(3.3)
Proceeds from disposal of own shares		-	0.1	-	0.1
Proceeds from issue of share capital		7.1	8.4	7.1	8.4
Loan repayments		-	(69.6)	(21.2)	(48.2)
Drawdown of loans including issue of sterling US private placement notes		-	200.0	-	211.8
Cancellation of swaps		-	(5.9)	-	(5.9)
Net cash outflow from financing activities		(466.9)	(306.6)	(488.1)	(272.0)
Net (decrease)/increase in cash and cash equivalents		(24.1)	198.0	19.2	163.6
Cash and cash equivalents at the beginning of the year		982.4	784.4	867.4	703.8
Cash and cash equivalents at the end of the year	5.1	958.3	982.4	886.6	867.4

¹ The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

The notes on pages 138 to 201 form an integral part of these Financial Statements.

Reconciliation of operating profit/(loss) to cash flow from operating activities	Notes	Group		Company	
		2019 £m	2018 ¹ £m	2019 £m	2018 £m
Operating activities:					
Profit/(loss) from operations		901.1	862.6	(10.1)	(6.5)
Depreciation	4.5	4.3	5.4	1.8	3.2
Profit on disposal of subsidiary undertaking	4.1.3	(0.6)	-	-	-
[Reversal of impairment]/impairment of inventories	3.1	(14.8)	3.3	-	-
Profit on redemption of secured loans		(1.2)	(1.9)	-	-
Impairment of investment in entities accounted for using the equity method	4.3	-	2.1	-	-
Share-based payments charge	6.3	14.1	11.0	6.3	6.3
Imputed interest on deferred term payables ²	5.2	(21.5)	(34.3)	-	-
Amortisation of facility fees	5.2	(2.8)	(2.1)	(2.8)	(2.1)
Finance income related to employee benefits	5.2	2.0	0.6	2.0	0.6
Total non-cash items		(20.5)	(15.9)	7.3	8.0
Increase in inventories		(291.9)	(44.6)	-	-
Increase in trade and other receivables		(4.3)	(39.4)	(13.4)	(6.7)
Decrease in trade and other payables		(53.3)	(102.3)	(55.3)	(105.8)
Decrease in secured loans		2.0	2.4	-	-
Total movements in working capital		(347.5)	(183.9)	(68.7)	(112.5)
Interest paid		(11.6)	(11.8)	(13.9)	(13.2)
Tax paid		(160.2)	(136.7)	-	-
Net cash inflow/(outflow) from operating activities		361.3	514.3	(85.4)	(124.2)

¹ The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

² 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 138 to 201 form an integral part of these Financial Statements.

Notes to the Financial Statements

Year ended 30 June 2019

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. The Financial Statements therefore 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 secured loans and share-based payments.



Group accounting policies

The significant Group accounting policies are included within the relevant notes to the Financial Statements on pages 138 to 201.



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:

- Margin recognition – see note 2.3
- Impairment of goodwill and indefinite life brands – see note 4.2.3

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 the United Kingdom, 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 2 to 65. 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 59 to 64 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 5.4 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 and Principal risks sections on pages 57 to 64, factors that particularly affect the performance of the Group include changes in the UK and European macroeconomic environments, including but not limited to, the impact of the UK's forthcoming exit from the EU and any change or removal of the Government's Help to Buy scheme, flat or negative economic growth, inflation, interest rates, buyer confidence, mortgage availability, competitor pricing and falls in house prices or land values. 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 2019 the Group had total committed facilities and private placement notes of £900.0m. The £700.0m RCF matures in November 2023 and the £200.0m sterling USPP notes mature in August 2027. The RCF and USPP 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 2019 the Group has adopted the following new and revised standards:

- IFRS 15 'Revenue from Contracts with Customers':

This standard became effective for accounting periods beginning on or after 1 January 2018 and was applicable to the Group from 1 July 2018, replacing IAS 18 'Revenue', IAS 11 'Construction contracts' and related interpretations. The standard sets out requirements for revenue recognition from contracts with customers. The standard requires that revenue to which the Group expects to be entitled from a contract with a customer is allocated to each performance obligation within that contract and then recognised as that obligation is satisfied.

The Group has applied IFRS 15 using the cumulative effect method and therefore comparative information has not been restated.

The Group's revenue derives principally from the sale of the homes we build and from the sale of commercial property. Revenue is normally recognised at legal completion. For certain contracts with registered providers, or other customers, revenue is recognised over time. The point of recognition of the main revenue streams is unchanged following adoption of the new standard; however, the recognition of a number of associated income streams has been adjusted.

Warranty

The Group previously offered a five-year warranty on sales of private homes. Under previous standards, no adjustment was made to revenue to reflect this warranty when the property was sold, although an allowance for future costs associated with the warranty was held within the Balance Sheet. An element of this warranty represents a separate performance obligation. On transition to IFRS 15, an element of the sales price of homes previously sold with this warranty has been deferred and will be recognised over the warranty period in the Income Statement, with the majority of this revenue and cost of sales recognised by the end of FY20. Opening reserves have been reduced by £3.4m on transition as a result of this adjustment, and an additional £10.0m of revenue offset by £8.0m cost of sales has been recognised in the year.

Part-exchange transactions

The standard has also required presentational changes to our Income Statement to include part-exchange income and expenses below gross margin. Previously, the income and costs were recognised on a net basis within cost of sales since part-exchange transactions were treated as linked with the sale of new builds. Under IFRS 15 this is a separate transaction, but is not considered to be a principal activity of the Group and is therefore reclassified to sundry income, within administrative expenses, rather than revenue. Gross profit in the year has been reduced by £3.2m as a result of this adjustment.

Introductory and contract management fees

Under the new standard, introductory and other fees payable to customers in exchange for services are recognised in cost of sales. Previously these were deducted from revenue. Management fees on commercial projects are recognised in revenue rather than other income within administrative expenses. As a result, an extra £2.7m of revenue has been recognised in the year, offset in cost of sales and administrative expenses.

The impact of these changes on revenue and profit is shown below, and a summary of the impact of the adoption of IFRS 15 on the Financial Statements is included in note 1.5.

	Adjustments in respect of warranty arrangements £m	Adjustments in respect of part- exchange transactions £m	Adjustments in respect of introductory fees £m	Adjustments in respect of contract management fees £m	Group Total adjustments in respect of the adoption of IFRS 15 £m
Impact on Consolidated Income Statement:					
Revenue	10.0	-	0.5	2.2	12.7
Cost of sales	(8.0)	(3.2)	(0.5)	(0.5)	(12.2)
Gross profit	2.0	(3.2)	-	1.7	0.5
Part-exchange income	-	341.1	-	-	341.1
Part-exchange expenses	-	(337.9)	-	-	(337.9)
Administrative expenses (excluding part-exchange)	-	-	-	(1.7)	(1.7)
Administrative expenses	-	3.2	-	(1.7)	1.5
Profit from operations	2.0	-	-	-	2.0

Notes to the Financial Statements continued

Year ended 30 June 2019

1.4 Adoption of new and revised standards continued

- IFRS 9 'Financial Instruments':

This standard became effective for accounting periods beginning on or after 1 January 2018 and was applicable to the Group from 1 July 2018 replacing IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduced new requirements for the classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

The changes resulting from the adoption of IFRS 9 are discussed below, and the impact on the Financial Statements, which is not material, is summarised in note 1.5.

Classification and measurement of financial assets

Under IFRS 9 the Group's remaining secured loans, previously classified as available for sale assets under IAS 39, were 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 were 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 equity were realised and transferred to the Income Statement.

Impairment of financial assets

The impairment requirements of IFRS 9 have required the Group to consider the expected credit losses for financial assets held at the reporting date. The Directors have reviewed the Group's financial assets and assessed the credit risk of each category of asset and concluded that there is no material impact on the Group's financial statements. The main financial assets of the Group are cash and cash equivalents which are placed on deposit with a number of financial institutions, as described in note 5.4.3, and are assessed to have a low credit risk. Trade and other receivables include amounts due from Homes England in respect of the Help to Buy scheme (note 5.4.3) which are also assessed as low risk, together with other receivables. Impairments of financial assets by category are disclosed in note 3.2.

Classification and measurement of financial liabilities

All of the Group's financial liabilities are held at amortised cost. Under IFRS 9 a renegotiated land creditor arrangement has been deemed a modification resulting in a reduction in opening reserves of £1.1m and a reduction in finance costs of £0.2m in the current year.

Hedge accounting

The Group currently has no qualifying hedge relationships under IFRS 9 or IAS 39.

There has been no impact on the Financial Statements as a result of:

- Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions';
- Amendments to IAS 40 'Transfers of Investment Property';
- IFRIC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'; and
- Annual Improvements to IFRS Standards 2014-2016 Cycle.

1.5 Impact of changes in accounting policies

The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. The tables below and on pages 142 and 143 summarise the impact of the changes in accounting policies on the Income Statement, Balance Sheet and Cash Flow Statement of the Group.

	Year ended 30 June 2019 as reported £m	Adjustments in respect of the adoption of IFRS 15 £m	Adjustments in respect of the adoption of IFRS 9 £m	Group Year ended 30 June 2019 before adjustments for the adoption of new accounting policies £m
Impact on Consolidated Income Statement:				
Revenue	4,763.1	12.7	-	4,750.4
Cost of sales	(3,678.9)	(12.2)	-	(3,666.7)
Gross profit	1,084.2	0.5	-	1,083.7
Part-exchange income	341.1	341.1	-	-
Part-exchange expenses	(337.9)	(337.9)	-	-
Administrative expenses (excluding part-exchange)	(186.3)	(1.7)	-	(184.6)
Administrative expenses	(183.1)	1.5	-	(184.6)
Profit from operations	901.1	2.0	-	899.1
Finance income	7.1	-	-	7.1
Finance costs	(35.9)	-	0.2	(36.1)
Net finance costs	(28.8)	-	0.2	(29.0)
Share of post-tax profit from joint ventures	39.2	-	-	39.2
Loss on disposal of joint ventures	(1.7)	-	-	(1.7)
Profit before tax	909.8	2.0	0.2	907.6
Tax	(170.4)	(0.4)	-	(170.0)
Profit for the year	739.4	1.6	0.2	737.6
Earnings per share from continuing operations				
Basic	73.2p	0.1p	-	73.1p
Diluted	72.3p	0.2p	-	72.1p

Notes to the Financial Statements continued

Year ended 30 June 2019

1.5 Impact of changes in accounting policies continued

	As at 30 June 2019 as reported £m	Adjustments in respect of the adoption of IFRS 15 £m	Adjustments in respect of the adoption of IFRS 9 £m	Group As at 30 June 2019 before adjustments for the adoption of new accounting policies £m
Impact on Balance Sheet:				
Assets				
Non-current assets				
Non-current assets per balance sheet	1,180.1	-	-	1,180.1
Prepayments	-	-	(0.9)	0.9
	1,180.1	-	(0.9)	1,181.0
Current assets				
Trade and other receivables	223.6	-	(0.3)	223.9
Other current assets	5,783.8	-	-	5,783.8
	6,007.4	-	(0.3)	6,007.7
Total assets	7,187.5	-	(1.2)	7,188.7
Liabilities				
Non-current liabilities				
Trade and other payables	(413.5)	-	0.4	(413.9)
Other non-current liabilities	(217.6)	-	-	(217.6)
	(631.1)	-	0.4	(631.5)
Current liabilities				
Trade and other payables	(1,587.9)	(1.4)	-	(1,586.5)
Current tax liabilities	(99.5)	(0.4)	-	(99.1)
	(1,687.4)	(1.8)	-	(1,685.6)
Total liabilities	(2,318.5)	(1.8)	0.4	(2,317.1)
Net assets	4,869.0	(1.8)	(0.8)	4,871.6
Equity				
Retained earnings	3,412.1	(1.8)	(0.8)	3,414.7
Other reserves and capital	1,450.0	-	-	1,450.0
Non-controlling interests	6.9	-	-	6.9
Total equity	4,869.0	(1.8)	(0.8)	4,871.6

1.5 Impact of changes in accounting policies continued

	Group			
	Year ended 30 June 2019 as reported	Adjustments in respect of the adoption of IFRS 15	Adjustments in respect of the adoption of IFRS 9	Year ended 30 June 2019 before adjustments for the adoption of new accounting policies
	£m	£m	£m	£m
Impact on Cash Flow Statement:				
Profit from operations	901.1	2.0	-	899.1
Imputed interest on deferred term payables	(21.5)	-	0.2	(21.7)
Other non-cash items	1.0	-	-	1.0
Total non-cash items	(20.5)	-	0.2	(20.7)
Increase in inventories	(291.9)	-	-	(291.9)
Increase in trade and other receivables	(4.3)	-	(0.2)	(4.1)
Decrease in trade and other payables	(53.3)	(2.0)	-	(51.3)
Decrease in secured loans	2.0	-	-	2.0
Total movements in working capital	(347.5)	(2.0)	(0.2)	(345.3)
Interest paid	(11.6)	-	-	(11.6)
Tax paid	(160.2)	-	-	(160.2)
Net cash inflow from operating activities	361.3	-	-	361.3
Net cash inflow from investing activities	81.5	-	-	81.5
Net cash outflow from financing activities	(466.9)	-	-	(466.9)
Net decrease in cash and cash equivalents	(24.1)	-	-	(24.1)
Cash and cash equivalents at the beginning of the period	982.4	-	-	982.4
Cash and cash equivalents at the end of the period	958.3	-	-	958.3

1.6 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 2019 and later periods. The Group has not early-adopted any standard, amendment or interpretation.

The following new standard in particular is expected to have an impact upon the Group:

- **IFRS 16 'Leases'** was issued in January 2016 and is effective for the Group for the period beginning on 1 July 2019. 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 IAS 17 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.

The Group has elected to adopt IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Comparative information will therefore not be restated. Right-of-use assets of between £50m and £55m and liabilities in respect of lease commitments of between £50m and £55m will be brought onto the Balance Sheet at 1 July 2019. Based on an analysis of lease commitments held by the Group during the year to 30 June 2019, and utilising discount rates calculated in that year, the net impact of the standard on the year to 30 June 2019 would be an increase in operating profit of £0.4m, but a decrease in profit before tax of £1.2m.

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.

Notes to the Financial Statements continued

Year ended 30 June 2019

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.



Revenue from the sale of residential and commercial properties

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.



Revenue on contracts recognised over time

Where the outcome of a contract on which revenue is recognised over time can be estimated reliably, 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. Variations to, and claims arising in respect of such contracts are included in revenue to the extent that they have been agreed with the customer. Where the outcome of a contract on which revenue is recognised over time cannot be estimated reliably, revenue is recognised to the extent of contract costs incurred. When it is probable that the total costs on a contract will exceed total contract revenue, the expected loss is immediately recognised as an expense in the Income Statement.



Other revenue

Revenue from separate contracts related to the development of homes is recognised on completion of the performance obligation to which it relates and included in other revenue. Revenue from warranties is recognised on a straight-line basis over the warranty period.

Revenue from commercial contract management fees is recognised in the period in which it becomes receivable and included within commercial revenue.

An analysis of the Group's continuing revenue is as follows:

	2019 £m	2018 ¹ £m
Housebuilding revenue:		
Private sales	4,222.6	4,418.8
Affordable sales	473.1	401.0
Other housebuilding revenue	36.3	7.2
Total housebuilding segment revenue	4,732.0	4,827.0
Total commercial developments segment revenue	31.1	47.8
	4,763.1	4,874.8

¹ The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

Included within Group revenue is £76.8m (2018: £31.6m) of revenue from construction contracts on which revenue is recognised over time by reference to the stage of completion of the contracts. Of this amount, £3.3m (2018: £0.2m) was included in the contract liability balance at the beginning of the year. Further revenue of £272.5m (2018: £337.3m) is expected to be recognised in future years in respect of these contracts, of which 98.3% (2018: 75.0%) is expected to be recognised within five years.

Housebuilding revenue includes £521.4m (2018: £480.8m) of revenue generated where the sale has been achieved using part-exchange incentives. Proceeds received on the disposal of part-exchange properties are not included in revenue on the basis that they are incidental to the main revenue-generating activities of the Group (note 1.4).

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.



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 charges or credits in respect of legacy properties, the restructuring of existing and newly acquired businesses, refinancing costs, gains or losses on the disposal of businesses or individual assets, and asset impairments, including land, work in progress, goodwill and investments.

	2019			2018 ¹		
	House- building number	Commercial developments number	Total number	House- building number	Commercial developments number	Total number
Residential completions²	17,111	-	17,111	16,680	-	16,680
Consolidated Income Statement	£m	£m	£m	£m	£m	£m
Revenue	4,732.0	31.1	4,763.1	4,827.0	47.8	4,874.8
Cost of sales	(3,657.0)	(18.7)	(3,675.7)	(3,821.6)	(37.3)	(3,858.9)
(Costs)/credits associated with legacy properties ³	(6.9)	3.7	(3.2)	(4.0)	(3.0)	(7.0)
Gross profit	1,068.1	16.1	1,084.2	1,001.4	7.5	1,008.9
Administrative expenses	(177.7)	(5.4)	(183.1)	(143.8)	(2.5)	(146.3)
Profit from operations	890.4	10.7	901.1	857.6	5.0	862.6
Share of post-tax profit/(loss) and loss on disposal from joint ventures and associates	45.3	(0.8)	44.5	18.5	(0.5)	18.0
Costs associated with JV legacy properties ³	(7.0)	-	(7.0)	-	-	-
Profit from operations including post-tax profit/(loss) from joint ventures and associates	928.7	9.9	938.6	876.1	4.5	880.6
Finance income			7.1			3.5
Finance costs			(35.9)			(48.6)
Profit before tax			909.8			835.5
Tax			(170.4)			(164.0)
Profit for the year from continuing operations			739.4			671.5

¹ The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

² Residential completions exclude JV completions of 745 (2018: 899) in which the Group has an interest.

³ During the year charges of £6.9m were recognised in respect of costs associated with legacy properties (2018: £4.0m). An amount of £3.7m was released following the disposal of a legacy commercial asset (2018: £3.0m provided in respect of costs associated with legacy commercial assets). During the year a charge of £7.0m (2018: £nil) was recognised in respect of costs associated with legacy JV properties. These amounts have been separately disclosed in the Income Statement.

Notes to the Financial Statements continued

Year ended 30 June 2019

2.2 Segmental analysis continued

	2019			2018 ¹		
	House- building £m	Commercial developments £m	Total £m	House- building £m	Commercial developments £m	Total £m
Balance Sheet						
Segment assets	6,246.7	11.8	6,258.5	5,959.9	16.9	5,976.8
Elimination of intercompany balances			(29.3)			(30.2)
			6,229.2			5,946.6
Cash and cash equivalents			958.3			982.4
Consolidated total assets			7,187.5			6,929.0
Segment liabilities	(1,976.6)	(54.1)	(2,030.7)	(1,995.8)	(63.5)	(2,059.3)
Elimination of intercompany balances			29.3			30.2
			(2,001.4)			(2,029.1)
Loans and borrowings			(200.0)			(191.1)
Deferred tax liabilities			(17.6)			(25.3)
Current tax liabilities			(99.5)			(85.8)
Consolidated total liabilities			(2,318.5)			(2,331.3)

¹ The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

	2019			2018		
	House- building £m	Commercial developments £m	Total £m	House- building £m	Commercial developments £m	Total £m
Other information						
Capital additions	7.2	-	7.2	7.5	-	7.5
Capital additions – acquired with subsidiary	2.9	-	2.9	-	-	-
Depreciation	4.3	-	4.3	5.4	-	5.4

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 JVs and associates and tax.

Margin recognition

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 homes 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 homes. 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, which is considered to be reasonably possible, would reduce the Group's gross margin by 60bps.

2.3 Profit from operations continued



Lease charges

Operating lease rentals are charged to the Income Statement in equal instalments over the life of the lease.



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. Rental income from these operating leases is recognised in the Income Statement on a straight-line basis over the term of the lease.

2.3.1 Profit from operations is stated after charging/(crediting):

	Notes	2019 £m	2018 £m
Gain on disposal of subsidiary undertakings	4.1.3	(0.6)	-
Cost of inventories recognised as an expense in cost of sales		3,502.7	3,619.7
Employee costs (including Directors)	6.1	427.1	390.5
Depreciation of property, plant and equipment	4.5	4.3	5.4
Research and development tax credit		(0.3)	(0.4)
Lease income	7.1.2	(1.2)	(2.0)
Operating lease charges:			
- hire of plant, machinery and vehicles		35.5	36.9
- other		14.5	20.0

Profit from operations is stated after charging the Directors' emoluments disclosed in the Remuneration report on pages 108 to 109 and in note 6.1.

The Group does not recognise income from supplier rebates until received from suppliers. During the year, £33.5m (2018: £27.8m) of supplier rebate income was included within profit from operations.

2.3.2 Administrative expenses

Administrative expenses of £183.1m (2018: £146.3m) include sundry income of £29.5m (2018: £55.0m) which principally comprises management fees receivable from joint ventures, property management income, the sale of freehold reversions, ground rent receivable and, in the current year, the net proceeds on the sale of part-exchange properties as explained in note 1.4.

	2019 £m	2018 ¹ £m
Operating expenses	(212.6)	(201.3)
Part-exchange income	341.1	-
Part-exchange costs	(337.9)	-
Other sundry income	26.3	55.0
Sundry income	29.5	55.0
Administrative expenses	(183.1)	(146.3)

¹ The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

Notes to the Financial Statements continued

Year ended 30 June 2019

2.3 Profit from operations continued

2.3.3 Auditor's remuneration

The remuneration paid to Deloitte LLP, the Group's principal auditor, is disclosed below:

	2019	2018
	£000	£000
Fees payable to the Company's auditor for the audit of the Parent Company and Consolidated Financial Statements	148	98
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	253	267
Total audit fees	401	365
Audit-related assurance services ¹	28	25
Other services ²	30	22
Total fees for other services	58	47
Total fees related to the Company and its subsidiaries	459	412

¹ Audit-related assurance services comprise the review of the interim report.

² Other services comprise work in relation to provision of planning related information required in the sale of a subsidiary and in the previous year 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 90 to 91.

No services were provided under 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 JVs in which the Group participates:

	2019	2018
	£000	£000
The audit of the Group's JVs pursuant to legislation	145	136
Other audit-related services ¹	10	6
Total fees related to joint ventures	155	142

¹ Other audit-related services comprise reporting to the auditors of our JV partners.

2.4 Earnings per share

The earnings per share from continuing operations were as follows:

	2019	2018 ¹
	pence	pence
Basic earnings per share	73.2	66.5
Diluted earnings per share	72.3	65.9

¹ The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Parent Company 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.

2.4 Earnings per share continued

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Parent Company 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.

	2019	2018 ¹
<i>Profit attributable to ordinary shareholders of the Parent Company (£m)</i>	740.0	671.7
Weighted average number of shares in issue (million)	1,014.2	1,011.7
Weighted average number of shares in EBT (million)	(3.8)	(1.0)
Weighted average number of shares for basic earnings per share (million)	1,010.4	1,010.7
Weighted average number of shares in issue (million)	1,014.2	1,011.7
Adjustment to assume conversion of all potentially dilutive shares (million)	10.0	8.3
Weighted average number of shares for diluted earnings per share (million)	1,024.2	1,020.0

¹ The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

2.5 Dividends

	2019 £m	2018 £m
Amounts recognised as distributions to equity shareholders in the year:		
Final dividend for the year ended 30 June 2018 of 17.9p (2017: 17.1p) per share	180.6	172.9
Special dividend for the year ended 30 June 2018 of 17.3p (2017: 17.3p) per share	174.6	175.0
Interim dividend for the year ended 30 June 2019 of 9.6p (2018: 8.6p) per share	97.1	87.0
Total dividends distributed to equity shareholders in the year	452.3	434.9
	2019 £m	2018 £m
Proposed final dividend for the year ended 30 June 2019 of 19.5p (2018: 17.9p) per share	197.1	181.1
Proposed special dividend for the year ended 30 June 2019 of 17.3p (2018: 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 eligible issued share capital at 30 June 2019 and has not been included as a liability at 30 June 2019.

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% (2018: 19.0%) 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% (2018: 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 at the balance sheet date.

Notes to the Financial Statements continued

Year ended 30 June 2019

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 JVs, 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.

	Notes	2019 £m	2018 £m
Analysis of the tax charge for the year			
Current tax:			
UK corporation tax for the year		176.3	161.0
Adjustment in respect of previous years		(1.7)	(6.5)
		174.6	154.5
Deferred tax:			
Origination and reversal of temporary differences		(5.0)	(1.4)
Adjustment in respect of previous years		0.2	10.9
Impact of reduction in corporation tax rate		0.6	-
	2.6.3	(4.2)	9.5
Tax charge for the year		170.4	164.0

Factors affecting the tax charge for the year

The tax rate assessed for the year is lower (2018: higher) than the standard effective rate of corporation tax in the UK of 19.0% (2018: 19.0%).

The differences are explained below:

	2019 £m	2018 £m
Profit before tax	909.8	835.5
Profit before tax multiplied by the standard rate of corporation tax of 19.0% (2018: 19.0%)	172.9	158.7
Effects of:		
Other items including non-deductible expenses	0.5	3.3
Additional tax relief for land remediation costs	(2.0)	(2.1)
Adjustment in respect of previous years	(1.5)	4.4
Adjustment for post-tax profits of certain JVs included in Group profit before tax	(0.1)	(0.3)
Impact of change in tax rate on deferred tax liability	0.6	-
Tax charge for the year	170.4	164.0

2.6 Tax continued

2.6.2 Tax recognised in equity

In addition to the amount charged to the Consolidated Income Statement, a net current and deferred tax credit of £4.5m (2018: £5.1m charge) was recognised directly in equity.

2.6.3 Deferred tax

All deferred tax relates to the United Kingdom and is stated on a net basis as the Group has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis.

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	Indefinite life brands £m	Accelerated capital allowances £m	Other (net) £m	Total £m
At 1 July 2017	(2.6)	6.0	0.1	(17.0)	1.0	4.5	(8.0)
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)
Year ended 30 June 2019							
Income Statement (charge)/credit	(3.4)	1.2	-	-	-	6.4	4.2
Acquired with subsidiary undertakings	-	-	-	-	(0.1)	(0.5)	(0.6)
Amounts taken directly to equity	2.9	1.2	-	-	-	-	4.1
At 30 June 2019	(11.6)	5.3	-	(17.0)	1.1	4.6	(17.6)
Comprising:							
Deferred tax assets	-	5.3	-	-	1.1	5.9	12.3
Deferred tax liabilities	(11.6)	-	-	(17.0)	-	(1.3)	(29.9)

The deferred tax liability in respect of indefinite life 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 indefinite life 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. *While 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 (2018: £2.0m) in respect of capital and other losses amounting to £11.6m (2018: £11.5m) because these are not considered recoverable in the foreseeable future.

Notes to the Financial Statements continued

Year ended 30 June 2019

2.6 Tax continued

2.6.3 Deferred tax continued

The Company recognised a net deferred tax liability with the following movements in the year:

	Company				
	Pension scheme £m	Share options £m	Accelerated capital allowances £m	Other (net) £m	Total £m
At 1 July 2017	(2.6)	1.1	0.5	0.5	(0.5)
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)
Year ended 30 June 2019					
Income Statement (charge)/credit	(3.4)	0.8	(0.1)	0.2	(2.5)
Amounts taken directly to equity	2.9	0.4	-	-	3.3
At 30 June 2019	(11.6)	2.7	0.6	0.5	(7.8)
Comprising:					
Deferred tax assets	-	2.7	0.6	0.5	3.8
Deferred tax liabilities	(11.6)	-	-	-	(11.6)

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 homes 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.

	2019 £m	Group 2018 £m
Land held for development	3,071.6	2,963.4
Construction work in progress	1,632.8	1,463.1
Part-exchange properties and other inventories	119.9	90.2
	4,824.3	4,516.7

The Company has no inventories.

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 2019 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 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 £5.5m (2018: £13.2m) and gross impairment reversals of £20.3m (2018: £9.9m), resulting in a net impairment reversal of £14.8m (2018: £3.3m charge) 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.

Notes to the Financial Statements continued

Year ended 30 June 2019

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. Amounts recoverable on certain construction contracts where revenue is recognised over time are included in trade receivables and stated at cost plus attributable profit less any foreseeable losses. Payments received on account for these construction contracts are deducted from amounts recoverable on these contracts.

Trade and other receivables are measured at amortised cost less a loss allowance for expected credit losses which are assessed on the basis of an average weighting of the risk of default. Any impairment is recognised immediately in the Income Statement.

For this purpose, a default is determined to have occurred if the Group becomes aware of evidence that it will not receive all contractual cash flows that are due or if payment has not been received within 60 days of the due date. After this time, it is probable that contractual cash flows will not be fully recovered.

The Group does not hold any collateral over these balances.

Trade receivables are receivables and contract assets arising from the Group's contracts with customers. The loss allowance is equal to the lifetime expected credit loss, assessed on an individual basis.

The loss allowances for other receivables and amounts due from subsidiary undertakings are equal to 12-month expected credit losses unless there has been a significant increase in credit risk since the date of initial recognition, in which case the loss allowance is equal to the lifetime expected credit loss. A significant increase in credit risk is judged to have occurred if a review of available information indicates an increased probability of default, or if contractual payments are more than 30 days past due.

Where amounts due from subsidiary undertakings can be satisfied by the subsidiaries through the recovery of a debt from fellow subsidiaries with strong capacity to meet that debt, the amount is considered to have low credit risk at the reporting date and it is therefore assumed that the credit risk has not significantly increased.

Trade and other receivables that are more than two years overdue are deemed to have no reasonable expectation of recovery and are therefore written off in the Financial Statements, but are still subject to enforcement activity. Subsequent recoveries of amounts previously written off are credited to the Income Statement.

	Group		Company	
	2019 £m	2018 ¹ £m	2019 £m	2018 £m
Non-current assets				
Other receivables	1.5	3.1	-	-
	1.5	3.1	-	-
Current assets				
Trade receivables	152.1	141.4	-	-
Amounts due from subsidiary undertakings	-	-	76.3	83.0
Other receivables	55.5	76.1	1.0	0.6
Prepayments and accrued income	16.0	9.3	9.9	2.4
	223.6	226.8	87.2	86.0

¹ The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

Included within trade and other receivables are amounts due from contract customers of £1.1m (2018: £2.8m) in relation to contracts where revenue is recognised over time.

3.2 Trade and other receivables continued

The carrying values of trade and other receivables are stated after allowance for doubtful receivables. The movements in the loss allowances for the period were as follows:

	Notes	Trade receivables		Other receivables		Amounts due from subsidiary undertakings
		Lifetime expected credit losses (individually assessed)		12 month expected credit losses		12 month expected credit losses
		Group £m	Company £m	Group £m	Company £m	Company £m
Allowance for doubtful receivables						
Loss allowance at 1 July 2018		4.3	-	1.0	-	-
Charge for the year	5.3.5	6.9	-	0.6	-	-
Amounts written off		(0.1)	-	-	-	-
Recoveries of amounts previously written off	5.3.5	(5.0)	-	-	-	-
Loss allowance at 30 June 2019		6.1	-	1.6	-	-

Movements in loss allowances are principally a result of the derecognition and origination of financial assets in the period. The loss allowances written off are equal to the gross carrying amounts of the assets written off in the year. 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	
	2019 £m	2018 ¹ £m	2019 £m	2018 £m
Non-current liabilities				
Land payables	385.6	520.0	-	-
Other payables	27.9	46.7	-	-
	413.5	566.7	-	-
Current liabilities				
Trade payables	353.6	361.1	2.2	1.4
Land payables	575.1	476.7	-	-
Amounts due to subsidiary undertakings	-	-	334.3	409.5
Accruals and deferred income	533.4	511.6	26.9	22.1
Other tax and social security	13.9	14.1	-	-
Other payables	111.9	98.9	0.8	1.0
	1,587.9	1,462.4	364.2	434.0

¹ The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

Notes to the Financial Statements continued

Year ended 30 June 2019

3.3 Trade and other payables continued

Included in trade and other payables are payments on account received from customers in excess of amounts recoverable on contracts on which revenue is recognised over time of £22.8m (2018: £7.1m).

Accruals and deferred income includes a £4.7m (2018: £2.7m) 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 2019 principally comprise payments and deposits received in advance.

The Group has £486.4m (2018: £529.2m) of payables secured by legal charges on certain assets and £43.5m (2018: £79.4m) 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 Secured loans

Secured loans 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).

Under IFRS 9 the Group's remaining secured loans, previously classified as 'available for sale assets' under IAS 39 'Financial Instruments: Recognition and Measurement', were reclassified as 'fair value through profit and loss'. No adjustments were 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 equity were realised and transferred to the Income Statement.



Secured loans

Secured loans are classified under IFRS 9 as fair value through profit and loss and are held at fair value calculated as the present value of expected future cash flows, calculated on a loan by loan basis, taking into account the estimated market value of the property and the estimated time of repayment. Gains and losses arising from changes in fair value, changes in future cash flows and interest calculated using the 'effective interest rate' method in accordance with IFRS 9, are recognised directly in the Income Statement.

For secured loans a significant or prolonged decline in the value of the property underpinning the value of the loan or an increased risk of default are considered to be objective evidence of impairment. Increases in the fair value of secured loans 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.

	Notes	Group	
		2019 £m	2018 £m
Secured loans			
At 1 July		3.4	3.9
Disposals (at cost)		(1.9)	(2.4)
Other provision movements		1.1	1.9
At 30 June		2.6	3.4
Balance at 30 June analysed as:			
Current	5.3.1	1.2	0.3
Non-current	5.3.1	1.4	3.1

Further disclosures relating to financial assets are set out in note 5.3.

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 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 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	
	2019	2018
	£m	£m
Movement in non-controlling interest share of net assets recognised in the Consolidated Balance Sheet		
At 1 July	7.5	9.1
Distribution of profits to non-controlling partner	-	(1.4)
Share of loss for the year recognised in the Consolidated Income Statement	(0.6)	(0.2)
At 30 June	6.9	7.5

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.

4.1.3 Disposal of Group subsidiary undertakings

On 16 March 2019 the Group disposed of the entire share capital of its wholly owned subsidiary Barratt Residential Asset Management Limited ('BRAM') for a total consideration, received in cash, of £5.25m. The gain recognised by the Group on disposal and included within administrative expenses was £0.6m.

On 29 June 2019 the Group disposed of its subsidiary Barratt London Investments Limited ('BLIL') including the Group's 50% interests in Aldgate Place (GP) Limited, The Aldgate Place Limited Partnership, Aldgate Land One Limited and Aldgate Land Two Limited which were held by that company. The Group received cash consideration of £18.6m for the net assets of BLIL (being its investments in its JVs), recognising a £1.7m loss on disposal.

Financial information relating to these subsidiaries for the period from 1 July 2018 to their disposal, which is consolidated within these Financial Statements, is set out below:

	BRAM	BLIL and its JVs
	£m	£m
Net operating expense	(0.6)	-
Operating loss	(0.6)	-
Net finance costs	-	-
Group share of loss from JVs	-	(0.2)
Loss before taxation	(0.6)	(0.2)

Notes to the Financial Statements continued

Year ended 30 June 2019

4.1 Business combinations continued

4.1.4 Group acquisition of subsidiary undertakings

On 27 June 2019 the Group acquired 100% of the share capital of Oregon Timber Frame Limited, which owns 100% of the share capital of Oregon Contract Management Limited. Oregon was established in 1998 and is one of the UK's largest timber frame manufacturers. It specialises in the manufacture and erection of high quality timber frame superstructures. Further details on the strategic rationale for the acquisition are included in the Strategic Report on page 11.

Details of the purchase consideration, net assets acquired and the resulting goodwill are as follows:

	2019 £m
Cash paid	18.7
Deferred consideration	4.1
Total purchase consideration	22.8

	Fair value £m
Net assets and liabilities recognised as a result of the acquisition:	
Intangible assets	2.3
Tangible assets	2.9
Inventories	0.9
Trade and other receivables	4.7
Cash	2.9
Trade and other payables	(4.0)
Provisions	(0.6)
Net identifiable assets acquired	9.1
Goodwill	13.7
Net assets acquired	22.8

The assets and liabilities acquired have been recognised at their acquisition-date fair values. The fair value of trade and other receivables is equal to the gross contractual amounts receivable.

Goodwill arises as a result of operational synergies between Oregon and the Group's existing housebuilding segment.

No revenue or profit contribution is recognised in the Consolidated Income Statement in respect of Oregon. If the acquisition had occurred on 1 July 2018, consolidated pro-forma revenue and profit for the year ended 30 June 2019, based on Oregon's results for the year adjusted for intercompany transactions and differences in accounting policies, would have been £4,788.8m and £740.5m respectively. Acquisition costs of £0.9m are included in administrative expenses in the Consolidated Income Statement and in operating cash flows in the Cash Flow Statement.

The Group's cash outflow in respect of the acquisition is as follows:

	2019 £m
Cash consideration	(18.7)
Balances acquired:	
Cash	2.9
Net outflow of cash – investing activities	(15.8)

There were no acquisitions in the year ended 30 June 2018.

4.1 Business combinations continued

4.1.5 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	
	2019 £m	2018 £m
Cost		
At 1 July	3,172.9	3,177.6
Increase/(decrease) in investment in subsidiaries related to share-based payments	0.6	(4.7)
At 30 June	3,173.5	3,172.9
Impairment		
At 1 July	87.6	79.2
Impairment charged in the year	-	8.4
At 30 June	87.6	87.6
Net book value		
At 1 July	3,085.3	3,098.4
At 30 June	3,085.9	3,085.3

During the prior year, the Company's investment in one of its subsidiaries, Barratt Commercial Limited, was impaired by £8.4m following a review of the value-in-use of that company.

Notes to the Financial Statements continued

Year ended 30 June 2019

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. 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.

	2019	Group
	£m	2018
		£m
Cost		
At 1 July	816.7	816.7
Arising on acquisition during the year	13.7	-
At 30 June	830.4	816.7
Accumulated impairment losses		
At 30 June	24.5	24.5
Carrying amount		
At 30 June	805.9	792.2

During the year the Group acquired all of the share capital of Oregon Timber Frame Limited (note 4.1.4). Goodwill arising on the acquisition of £13.7m has been capitalised and allocated to the Group's housebuilding segment.

The Group's goodwill relating to the acquisition of Wilson Bowden Limited in 2007 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 Goodwill and other intangible assets continued

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).



Customer contract relationships

The Group has capitalised, as intangible assets, acquired customer contract relationships. Customer contract relationships are valued at the present value of future cash flows and are amortised on a straight line basis in line with contract relationships at the acquisition date. Internally generated customer contract relationships are not capitalised.

	Group					
	Brands		Customer contract relationships		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Cost						
At 1 July	107.0	107.0	-	-	107.0	107.0
Acquired during the year through business combinations	0.9	-	1.4	-	2.3	-
At 30 June	107.9	107.0	1.4	-	109.3	107.0
Amortisation						
At 30 June	7.0	7.0	-	-	7.0	7.0
Carrying amount						
At 30 June	100.9	100.0	1.4	-	102.3	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.

During the year the Group acquired brands valued at £0.9m and customer contract relationships valued at £1.4m (note 4.1.4). These assets will be amortised on a straight line basis in line with the contract relationships at the acquisition date.

The brand of Wilson Bowden Developments (valued at £7.0m prior to amortisation) was previously 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.

Notes to the Financial Statements continued

Year ended 30 June 2019

4.2 Goodwill and other intangible assets continued

4.2.3 Impairment of goodwill and indefinite life brands

The Group conducts an annual impairment review of goodwill and its indefinite life brand together for the housebuilding segment.



Impairment of goodwill and indefinite life 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 on the Group's discount rate in future periods. The sensitivity of the valuation of goodwill and brands to changes in expectations is set out in this note.

An impairment review was performed at 30 June 2019 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 forecast 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 1%, 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 15.2% (2018: 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.
- **Expected changes in selling prices for completed houses and the related impact on 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 on 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 on 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 £2,095.6m (2018: £1,731.4m) 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. A 5% fall in sales volumes would reduce the headroom over carrying value by £408.7m and no impairment would arise.

4.3 Investments in jointly controlled entities and associated entities

4.3.1 Joint ventures

A jointly controlled entity (JV) 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 JV.



Jointly controlled and associated entities

JVs and associated entities are accounted for using the equity method of accounting.

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
JVs and associates				
At 1 July	234.1	213.1	-	-
Increase in amounts invested in JVs	51.0	58.6	-	-
Repayment of investments in JVs	(66.9)	(11.7)	-	-
Equity accounted investment disposed of in the year	(8.1)	-	-	-
Impairment of investments in JVs	-	(2.1)	-	-
Dividends received from JVs	(60.3)	(41.8)	-	-
Share of post-tax profit for the year from JVs	39.2	18.6	-	-
Share of post-tax (loss)/profit for the year from associates	-	(0.6)	-	-
At 30 June	189.0	234.1	-	-

There are no losses in any of the Group's JVs or associates which have not been recognised by the Group.

During the year, the Group entered into a new JV arrangement, Blackhorse Road Properties LLP, and disposed of its interests in Aldgate Place (GP) Limited, The Aldgate Place Limited Partnership, Aldgate Land One Limited and Aldgate Land Two Limited (note 4.1.3).

At 30 June 2019 the Group has interests in the following jointly controlled entities:

JV	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*
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

Notes to the Financial Statements continued

Year ended 30 June 2019

4.3 Investments in jointly controlled entities and associated entities continued

4.3.1 Joint ventures continued

JV	Registered office	Percentage owned	Voting rights controlled	Country of registration	Principal place of business	Principal activity	Financial year end date
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*
Blackhorse Road Properties LLP ¹	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF	51.0%	50.0%	England and Wales	UK	Housebuilding	30 April*
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
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*

4.3 Investments in jointly controlled entities and associated entities continued

4.3.1 Joint ventures continued

JV	Registered office	Percentage owned	Voting rights controlled	Country of registration	Principal place of business	Principal activity	Financial year end date
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
Queenstand 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
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*

* JV prepares financial statements which are non-coterminous with the Group in order to comply with the terms of their JV agreements and to align with the year ends and requirements of our JV partners.

Judgements applied in determining the classification of joint arrangements

¹ The Group holds three JV investments (Barratt Wates (Horley) Limited, Barratt Metropolitan LLP and Blackhorse Road Properties 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 JVs.

² The Group's interests in a number of the entities classified as JVs are held indirectly.

- Barratt Wates (East Grinstead) No. 2 Limited is a wholly owned subsidiary of the Group's JV, Barratt Wates (East Grinstead) Limited, and is therefore classified as a JV of the Group.
- BDWZest Developments LLP, Alie Street LLP, Queenstand 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 JVs 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 JVs of the Group.

Notes to the Financial Statements continued

Year ended 30 June 2019

4.3 Investments in jointly controlled entities and associated entities continued

4.3.1 Joint ventures continued

Summarised financial information relating to these JVs is as follows:

	Harrow View LLP		Fulham Wharf LLP		Nine Elms LLP		Enderby Wharf LLP	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Income	17.0	5.8	105.5	11.9	116.0	111.0	1.2	78.6
Adjusted Expenditure	(14.1)	(5.5)	(98.2)	(36.1)	(94.9)	(99.8)	8.1	(62.9)
Costs associated with legacy properties	-	-	-	-	-	-	-	-
	2.9	0.3	7.3	(24.2)	21.1	11.2	9.3	15.7
Tax	-	-	-	-	-	-	-	-
Profit/(loss) for the year, being total comprehensive income/(expense)	2.9	0.3	7.3	(24.2)	21.1	11.2	9.3	15.7
Group share of profit/(loss) for the year recognised in the Consolidated Income Statement	1.5	0.2	3.6	(12.1)	10.6	5.6	4.6	7.9
Dividends received from JVs in the year	-	-	-	-	13.0	-	7.0	23.0
Current assets	115.0	93.9	29.7	85.0	134.2	173.4	9.0	19.5
Non-current assets	-	-	-	-	-	-	-	-
Current liabilities	(35.4)	(2.3)	(3.4)	(3.9)	(17.1)	(28.8)	(4.9)	(10.7)
Non-current liabilities	-	-	-	-	-	(9.0)	-	-
Net assets/(liabilities) of JVs	79.6	91.6	26.3	81.1	117.1	135.6	4.1	8.8
Group share of net assets/(liabilities) recognised in the Consolidated Balance Sheet at 30 June	39.8	45.8	13.2	40.6	58.5	67.8	2.1	4.4

During the year, the Group entered into a number of transactions with its JVs 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 JVs. Further details on these are provided in note 7.2.2.

The Group has made loans of £79.2m (2018: £104.9m) to its JVs, which are included within Group investments accounted for using the equity method. Included within the Group's share of net assets of JVs is a proportion of the loans to the JVs calculated using the Group's ownership share of £78.3m (2018: £97.0m).

During the prior 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 JVs to the Group is determined by the terms of the JV agreements, which specify how available funds should be applied in repaying loans and capital, and distributing profits to the partners.

Barratt Metropolitan LLP		The Aldgate Place Limited Partnership		Brooklands Milton Keynes LLP		Other JVs		Group Total	
2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
52.9	45.2	-	2.1	82.6	83.0	105.6	65.4	480.8	403.0
(49.9)	(38.4)	(0.4)	(16.4)	(55.3)	(56.5)	(92.7)	(52.0)	(397.4)	(367.6)
-	-	-	-	-	-	(7.0)	-	(7.0)	-
3.0	6.8	(0.4)	(14.3)	27.3	26.5	5.9	13.4	76.4	35.4
-	-	-	-	-	-	(0.5)	(1.1)	(0.5)	(1.1)
3.0	6.8	(0.4)	(14.3)	27.3	26.5	5.4	12.3	75.9	34.3
2.2	5.1	(0.2)	(7.2)	13.7	13.3	3.2	5.8	39.2	18.6
12.8	-	-	-	14.8	16.5	12.7	2.3	60.3	41.8
72.9	73.9	-	37.5	31.8	42.8	101.0	128.5	493.6	654.5
-	-	-	-	-	-	13.7	14.3	13.7	14.3
(73.7)	(60.6)	-	(5.9)	(29.8)	(38.5)	(49.3)	(106.8)	(213.6)	(257.5)
-	-	-	(15.0)	-	-	(43.9)	(108.6)	(43.9)	(132.6)
(0.8)	13.3	-	16.6	2.0	4.3	21.5	(72.6)	249.8	278.7
(0.5)	10.0	-	8.3	1.0	2.2	10.5	(33.6)	124.6	145.5

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 prior 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 at 30 June 2018 and 30 June 2019 is Enil. The Group's share of the associate's result during the year was Enil (2018: £0.6m loss).

The Group has made loans of Enil (2018: Enil) 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.

Notes to the Financial Statements continued

Year ended 30 June 2019

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 (2018: 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% ¹	UK	Housebuilding

¹ 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.

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 Group Balance Sheet, are shown below:

	Group	
	2019	2018
Group share:	£m	£m
Income	17.2	12.0
Expenses	(16.2)	(10.3)
Share of profit from joint operations	1.0	1.7
Current assets	11.0	11.9
Current liabilities	(1.0)	(2.9)
Share of net assets of joint operations	10.0	9.0

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 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
Additions	0.5	6.7	7.2	–	4.1	4.1
Acquired at fair value (note 4.1.4)	2.3	0.6	2.9	–	–	–
Disposals	–	(0.3)	(0.3)	–	–	–
At 30 June 2019	6.3	43.7	50.0	0.2	22.2	22.4
Depreciation						
At 1 July 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
Charge for the year	0.4	3.9	4.3	–	1.8	1.8
Disposals	–	(0.3)	(0.3)	–	–	–
At 30 June 2019	3.3	29.3	32.6	0.2	14.5	14.7
Net book value						
At 30 June 2018	0.6	11.0	11.6	–	5.4	5.4
At 30 June 2019	3.0	14.4	17.4	–	7.7	7.7

Authorised future capital expenditure that was contracted but not provided for in these Financial Statements amounted to £1.3m (2018: £1.5m).

Notes to the Financial Statements continued

Year ended 30 June 2019

5 Capital structure and financing

5.1 Net cash

Net cash is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings, prepaid fees and foreign exchange swaps.

Net cash at 30 June is shown below:

	Notes	Group		Company	
		2019 £m	2018 £m	2019 £m	2018 £m
Cash and cash equivalents	5.1.1	958.3	982.4	886.6	867.4
Drawn debt					
Borrowings					
Sterling US private placement notes		(200.0)	(200.0)	(200.0)	(200.0)
Bank overdrafts		-	-	(49.9)	(71.1)
Prepaid fees ¹		-	8.9	-	8.9
Total borrowings being total drawn debt		(200.0)	(191.1)	(249.9)	(262.2)
Prepaid fees ¹		7.4	-	7.4	-
Net cash		765.7	791.3	644.1	605.2
Total borrowings at 30 June are analysed as:					
Non-current borrowings		(200.0)	(191.1)	(200.0)	(191.1)
Current borrowings		-	-	(49.9)	(71.1)
Total borrowings being total drawn debt		(200.0)	(191.1)	(249.9)	(262.2)

¹ Prepaid fees included in net cash were presented within total borrowings in prior periods. In the current period these are included in the Balance Sheet within prepayments. Prior year balances have not been restated for this presentational change.

Movement in net cash, including a reconciliation of liabilities arising from financing activities, is analysed as follows:

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Net (decrease)/increase in cash and cash equivalents	(24.1)	198.0	19.2	163.6
Repayment/(drawdown) of borrowings including issue of sterling US private placement notes:				
Loan drawdowns	-	-	-	(11.8)
Loan repayments	-	21.4	21.2	-
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	(1.5)	(0.2)	(1.5)	(0.2)
Foreign exchange loss on US Dollar private placement notes	-	(0.8)	-	(0.8)
Foreign exchange gain on swaps	-	0.8	-	0.8
Movement in net cash in the year	(25.6)	67.6	38.9	-
Opening net cash	791.3	723.7	605.2	605.2
Closing net cash	765.7	791.3	644.1	605.2

5.1 Net cash continued

5.1.1 Cash and cash equivalents

Cash and cash equivalents are held at floating interest rates linked to the UK bank rate, LIBOR and money market rates as applicable. Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less from inception and are subject to an insignificant risk of changes in value. Cash and cash equivalents are classified as 'loans and receivables'. Further disclosures relating to financial assets are set out in note 5.3.1.

5.1.2 Borrowings and facilities



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. 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 2019 are unsecured.

The principal features of the Group's debt facilities at 30 June 2019 and 30 June 2018 were as follows:

	Facility	Amount drawn		Maturity
		30 June 2019	30 June 2018	
Committed facilities				
RCF	£700.0m	-	-	22 November 2023 ¹
Fixed rate sterling USPP notes	£200.0m	£200.0m	£200.0m	22 August 2027

¹ On 22 November the Group's £700.0m revolving credit facility was amended and extended from December 2022 to November 2023.

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	2019	2018
		£m	£m
Finance income			
Finance income on short term bank deposits		(2.8)	(1.1)
Finance income related to employee benefits	6.2.2	(2.0)	(0.6)
Other interest receivable		(2.3)	(1.8)
		(7.1)	(3.5)
Finance costs			
Interest on loans and borrowings		9.7	9.8
Imputed interest on deferred term payables		21.5	34.3
Amounts reclassified to the Income Statement in respect of hedged cash flows		-	(0.8)
Foreign exchange losses on US Dollar debt		-	0.8
Amortisation of facility fees		2.8	2.1
Other interest payable		1.9	2.4
		35.9	48.6
Net finance costs		28.8	45.1

Notes to the Financial Statements continued

Year ended 30 June 2019

5.2 Net finance costs continued

	2019 £m	2018 £m
Recognised in equity:		
Amounts deferred in respect of effective cash flow hedges	–	(0.8)
Total fair value movement on cash flow swaps included in equity	–	(0.8)
Amounts reclassified to the Income Statement in respect of hedged cash flows	–	0.8
Total fair value movement on cash flow swaps transferred from equity	–	0.8

The weighted average interest rates, excluding fees, paid in the year were as follows:

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Government loans	–	1.7	–	–
USPP notes	2.8	3.0	2.8	3.0

5.3 Financial instruments



Recognition

Financial assets and financial liabilities are recognised on the Balance Sheet in accordance with IFRS 9 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 in accordance with IFRS 9 as either 'fair value through profit and loss' or 'subsequently measured at amortised cost'. The classification depends on the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

All non-derivative financial liabilities are classified as 'subsequently measured at amortised cost'.

Financial assets and liabilities subsequently measured at amortised cost are initially recognised at fair value determined based on discounted cash flow analysis using current market rates for similar instruments. They are subsequently measured at amortised cost using the 'effective interest rate' method. Financial assets are also measured after recognition of any impairment.

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.



Impairment

A loss allowance is recognised for expected credit losses on financial assets as described in notes 3.2 and 3.4. Any impairment is recognised immediately in the Income Statement.

5.3 Financial instruments *continued*

5.3.1 Financial assets

The carrying values and fair values of the Group and Company financial assets are as follows:

	Notes	Group				Company			
		Fair value £m	2019 Carrying value £m	Fair value £m	2018 Carrying value £m	Fair value £m	2019 Carrying value £m	Fair value £m	2018 Carrying value £m
Cash and cash equivalents	5.1	958.3	958.3	982.4	982.4	886.6	886.6	867.4	867.4
Measured at amortised cost									
Trade and other receivables ¹		177.9	177.9	188.3	188.3	0.2	0.2	-	-
Intercompany loans	3.2	-	-	-	-	76.3	76.3	83.0	83.0
Fair value through profit and loss									
Non-current secured loans	3.4	1.4	1.4	3.1	3.1	-	-	-	-
Current secured loans	3.4	1.2	1.2	0.3	0.3	-	-	-	-
Total financial assets		1,138.8	1,138.8	1,174.1	1,174.1	963.1	963.1	950.4	950.4

¹ Excludes amounts recoverable on contracts, prepayments and accrued income, and tax and social security.

5.3.2 Financial liabilities

The carrying values and fair values of the Group and Company financial liabilities are as follows:

	Notes	Group				Company			
		Fair value £m	2019 Carrying value £m	Fair value £m	2018 Carrying value £m	Fair value £m	2019 Carrying value £m	Fair value £m	2018 Carrying value £m
Measured at amortised cost									
Bank overdrafts	5.1	-	-	-	-	49.9	49.9	71.1	71.1
Trade and other payables ¹		1,628.7	1,631.1	1,682.7	1,692.2	13.5	13.5	10.0	10.0
Intercompany payables	3.3	-	-	-	-	334.3	334.3	409.5	409.5
Loans and borrowings	5.1	196.8	200.0	192.8	200.0	196.8	200.0	192.8	200.0
Total financial liabilities		1,825.5	1,831.1	1,875.5	1,892.2	594.5	597.7	683.4	690.6

¹ 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.

Notes to the Financial Statements continued

Year ended 30 June 2019

5.3 Financial instruments continued

5.3.3 Financial assets and liabilities measured subsequent to initial recognition at fair value

The following tables provide an analysis of financial assets 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.

Financial assets measured subsequent to initial recognition at fair value are as follows:

		Level 1	Level 2	Level 3	2019	Level 1	Level 2	Level 3	Group
	Notes	£m	£m	£m	Total	£m	£m	£m	2018
					£m				Total
									£m
Secured loans									
Non-current secured loans	3.4	-	-	1.4	1.4	-	-	3.1	3.1
Current secured loans	3.4	-	-	1.2	1.2	-	-	0.3	0.3
Total		-	-	2.6	2.6	-	-	3.4	3.4

The Group had no derivative financial instruments at 30 June 2019 or 30 June 2018 and no financial liabilities were measured at fair value. 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 5.4. Neither the Group nor the Company enters into any derivatives for speculative purposes.

5.3.4 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 2019, the Group has no derivative financial instruments.

Movements on the hedging reserve in equity are detailed in the Statements of Changes in Shareholders' Equity.

5.3 Financial instruments continued

5.3.5 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	2019 £m	2018 £m
Financial assets measured at amortised cost			
Trade receivables - loss allowance charge	3.2	7.5	7.1
Recoveries of doubtful receivables		(5.0)	(4.7)
Fair value through profit and loss			
Net profit transferred on sale of secured loans		(1.2)	(2.1)
Net impairment of secured loans		-	0.2
Financial liabilities			
Foreign exchange losses on US Dollar debt		-	0.8
Transfers from hedged items			
Transfer from equity on currency cash flow hedges	5.2	-	(0.8)

5.4 Financial risk management

The Group's approach to risk management and the principal operational risks of the business are detailed on pages 57 to 64. The Group's financial assets and financial liabilities are detailed in note 5.3.

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 operations to Senior Management including Executive Directors 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.

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.

5.4.1 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 to May, and October to 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 on 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% (2018: 22.2%) of available committed facilities at 30 June 2019. In addition, the Group had £958.3m (2018: £982.4m) of cash and cash equivalents.

The Group was in compliance with its financial covenants at 30 June 2019. 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 2019, the average maturity of the Group's facilities was 5.2 years (2018: 5.5 years).

Notes to the Financial Statements continued

Year ended 30 June 2019

5.4 Financial risk management continued

5.4.1 Liquidity risk continued

The Group maintains certain committed floating rate facilities with banks to ensure sufficient liquidity for its operations. The undrawn committed facilities available to the Group, in respect of which all conditions precedent had been met, were as follows:

Expiry date	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £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 £95.0m (2018: £81.2m) of undrawn uncommitted facilities available at 30 June 2019.

The expected undiscounted cash flows of the Group and Company financial liabilities, by remaining contractual maturity at the balance sheet date were as follows:

Group	Notes	Carrying amount £m	Contractual cash flow ¹ £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
2019							
Loans and borrowings (including bank overdrafts)	5.3.2	200.0	307.1	19.5	19.5	50.5	217.6
Trade and other payables ²	5.3.2	1,631.1	1,668.6	1,249.2	248.9	165.2	5.3
		1,831.1	1,975.7	1,268.7	268.4	215.7	222.9
2018							
Loans and borrowings (including bank overdrafts)	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
Company							
	Notes	Carrying amount £m	Contractual cash flow ¹ £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
2019							
Loans and borrowings (including bank overdrafts)	5.3.2	249.9	357.0	69.5	19.5	50.5	217.5
Trade and other payables ²	5.3.2	13.5	13.5	13.5	-	-	-
Intercompany payables	5.3.2	334.3	334.3	334.3	-	-	-
		597.7	704.8	417.3	19.5	50.5	217.5
2018							
Loans and borrowings (including bank overdrafts)	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

¹ Includes interest calculated on the basis that the Group's £700.0m RCF is fully drawn down. At 30 June 2019 none of this facility was drawn.

² Excludes deferred income, payments received in excess of amounts recoverable on contracts, tax and social security and other non-financial liabilities.

The Group had no derivative financial instruments at 30 June 2019 or 30 June 2018.

5.4 Financial risk management continued

5.4.2 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 set using 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
2019				
Financial liability exposure to interest rate risk	-	200.0	1,631.1	1,831.1
2018				
Financial liability exposure to interest rate risk	-	200.0	1,692.2	1,892.2

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
2019				
Financial liability exposure to interest rate risk	384.2	200.0	13.5	597.7
2018				
Financial liability exposure to interest rate risk	480.6	200.0	10.0	690.6

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 2019 was 2.0% (2018: 1.6%).

Sterling USPP notes of £200.0m 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.

Sensitivity analysis:

In the year ended 30 June 2019, 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 £2.2m (2018: £1.6m), the Group's post-tax profit would increase/decrease by £1.8m (2018: £1.3m) and the Group's equity would increase/decrease by £1.8m (2018: £1.3m).

Notes to the Financial Statements continued

Year ended 30 June 2019

5.4 Financial risk management continued

5.4.3 Credit risk

In the majority of cases, the Group receives cash on legal completion for private sales and receives advance stage payments from registered providers for affordable housing. Included within trade and other receivables is £77.6m (2018: £83.5m) 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 £958.3m (2018: £982.4m) on deposit with nine 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.

The maximum exposure to any counterparty at 30 June 2019 was £158.3m (2018: £152.3m) 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 2019, the Company was exposed to £76.3m (2018: £83.0m) 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.

5.4.4 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 while 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 is 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 57 to 64.

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.

5.5 Share capital



Equity instruments

Ordinary share capital is recorded at the proceeds received, net of direct issue costs and is classified as equity.

5.5.1 Ordinary share capital

	2019	2018
	£m	£m
Allotted and issued ordinary shares		
10p each fully paid: 1,016,985,862 (2018: 1,012,722,682) ordinary shares	101.7	101.3

	2019	2018
	Number	Number
Options over the Company's shares granted during the year		
LTPP	2,940,565	2,223,717
Sharesave	1,673,444	2,755,257
DBP	644,386	567,557
ELTIP	1,221,120	-
	6,479,515	5,546,531

	2019	2018
	Number	Number
Allotment of shares during the year		
At 1 July	1,012,722,682	1,007,899,274
Issued to satisfy early exercises under Sharesave schemes	39,090	50,846
Issued to satisfy exercises under matured Sharesave schemes	1,524,090	2,567,996
Issued to satisfy vesting of LTPP awards	-	1,711,888
Issued to satisfy exercises under the DBP	-	477,912
Issued to the EBT to satisfy future exercises	2,700,000	14,766
At 30 June	1,016,985,862	1,012,722,682

5.5.2 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 EBT. The shares are held on behalf of the Company in order to satisfy options and awards that have been granted by it. Other than shares in the EBT allocated to share schemes which attract dividend equivalents, these ordinary shares do not rank for dividend.

	2019	2018
Ordinary shares in the Company held in the EBT (number)	6,172,255	931,605
Cost of shares held in the EBT	£15.1m	£1.2m
Market value of shares held in the EBT at 572.6p (2018: 515.4p) per share	£35.3m	£4.8m

During the year the EBT purchased 4,000,000 (2018: 483,379) shares in the market and disposed of 58,801 (2018: 736,773) shares in settlement of exercises under the SMSOP 2009/10 and the SMIS; and 1,400,549 (2018: 2,189,800) were used to satisfy the vesting of the 2015 LTPP and the 2015 DBP. 2,700,000 shares (2018: 2,204,566) shares were issued to the EBT at par.

Notes to the Financial Statements continued

Year ended 30 June 2019

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 94 to 117.

A summary of key management remuneration is as follows:

	2019 £m	2018 £m
Salaries and fees (including pension compensation)	2.8	2.7
Social security costs ¹	0.9	1.3
Performance bonus	2.6	2.4
Benefits	0.1	0.1
Share-based payments ²	2.1	2.4
	8.5	8.9

¹ Excluded from the Executive Directors' and Non-Executive Directors' single figure of remuneration tables on pages 108 and 109.

² IFRS 2 'Share-Based Payment' charge attributable to key management.

Total employee numbers and costs are as follows:

	Group		Company	
	2019 Number	2018 Number	2019 Number	2018 Number
Average employee numbers (excluding sub-contractors, including Directors):				
Housebuilding	6,400	6,293	353	342
Commercial developments	19	22	-	-
Total average employee numbers	6,419	6,315	353	342

The majority of the costs of the Company's employees are charged to other Group companies.

	Notes	Group		Company	
		2019 £m	2018 £m	2019 £m	2018 £m
Employee costs (including Directors):					
Wages and salaries including bonuses		357.4	328.8	36.5	32.7
Redundancy costs		1.3	0.6	0.2	0.1
Social security costs		41.1	40.7	5.2	6.2
Other pension costs	6.2	13.2	9.4	2.7	1.0
Share-based payments	6.3	14.1	11.0	6.3	6.3
Total employee costs	2.3	427.1	390.5	50.9	46.3

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 Statement 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.

The Directors engage a qualified independent actuary to calculate the Group's liability/asset in respect of its defined benefit pension scheme. In calculating this liability/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 on 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.

	2019 £m	2018 £m
Contributions during the year		
Group defined contribution schemes' Consolidated Income Statement charge	11.5	9.4

At the balance sheet date, there were outstanding contributions of £2.0m (2018: £1.6m), 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 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 2019 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. In addition, during the year ended 30 June 2019 a sum of £4.5m (2018: £nil) was paid to the Trustees in respect of GMP equalisation. 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 (2018: £1.2m).

Notes to the Financial Statements continued

Year ended 30 June 2019

6.2 Retirement benefit obligations continued

6.2.2 Defined benefit scheme continued

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 a decrease in the defined benefit asset 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	2019	2018
Weighted average assumptions to determine benefit obligations		
Discount rate	2.31%	2.91%
Rate of price inflation	3.38%	3.30%
Weighted average assumptions to determine net cost		
Discount rate	2.91%	2.60%
Rate of price inflation	3.30%	3.21%

Members are assumed to exchange 19% of their pension for cash on retirement. The assumptions have been chosen by the Group following advice from Mercer Limited, the Group's actuarial advisers.

The following table illustrates the life expectancy for an average member on reaching age 65, according to the mortality assumptions used to calculate the Scheme liabilities:

Assumptions	Male	Female
Retired member born in 1954 (life expectancy at age 65)	23.0 years	24.9 years
Non-retired member born in 1974 (life expectancy at age 65)	24.4 years	26.4 years

The base mortality assumptions are based on the SAPS (S2PA) (2018: 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 2018 projections with a long term trend of 1.25% per annum (2018: CMI 2017 projections with a long term trend of 1.25% per annum).

6.2 Retirement benefit obligations continued

6.2.2 Defined benefit scheme continued

The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out below:

Assumptions	Change in assumption	Increase in	Increase in
		Scheme liabilities	Scheme liabilities
		£m	%
Discount rate	Decrease by 0.1%	8.2	2.1
Rate of inflation	Increase by 0.1%	3.3	0.8
Life expectancy	Increase by 1 year	18.1	3.6

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:

	2019	2018
	£m	£m
Past service cost	1.7	-
Interest cost	10.1	9.9
Interest income	(12.1)	(10.5)
Total pension income recognised in net finance costs in the Consolidated Income Statement (note 5.2)	(2.0)	(0.6)
Total pension income recognised in the Consolidated Income Statement	(0.3)	(0.6)

The amounts recognised in the Group and Company Statements of Comprehensive Income were as follows:

	2019	2018
	£m	£m
Expected return less actual return on Scheme assets	(28.8)	(11.1)
Loss/(gain) arising from changes in the assumptions underlying the present value of benefit obligations	44.2	(18.1)
Total pension remeasurements recognised in the Group and Company Statements of Comprehensive Income	15.4	(29.2)

The amount included in the Group and Company Balance Sheets arising from obligations in respect of the Scheme is as follows:

	2019	2018
	£m	£m
Net asset for defined benefit obligations at 1 July	(58.7)	(13.6)
Contributions paid to the Scheme	(19.0)	(15.3)
Income recognised in the Consolidated Income Statement	(0.3)	(0.6)
Amounts recognised in the Group and Company Statements of Comprehensive Income	15.4	(29.2)
Surplus for funded Scheme/net asset recognised in the Group and Company Balance Sheets at 30 June	(62.6)	(58.7)
Analysed as:		
Present value of funded obligations	393.9	357.3
Fair value of Scheme assets	(456.5)	(416.0)

A deferred tax liability of £11.6m (2018: £11.1m) has been recognised in the Group and Company Balance Sheets in relation to the pension asset (note 2.6.3).

Notes to the Financial Statements continued

Year ended 30 June 2019

6.2 Retirement benefit obligations continued

6.2.2 Defined benefit scheme continued

Movements in the present value of defined benefit obligations were as follows:

	2019 £m	2018 £m
Present value of defined benefit obligations at 1 July	357.3	397.2
Past service cost	1.7	–
Interest cost	10.1	9.9
Actuarial loss/(gain)	44.2	(18.1)
Benefits paid from Scheme	(19.4)	(31.7)
Present value of defined benefit obligations at 30 June	393.9	357.3

Movements in the fair value of Scheme assets were as follows:

	2019 £m	2018 £m
Fair value of Scheme assets at 1 July	416.0	410.8
Interest income	12.1	10.5
Actuarial gain on Scheme assets	28.8	11.1
Employer contributions	19.0	15.3
Benefits paid from Scheme	(19.4)	(31.7)
Fair value of Scheme assets at 30 June	456.5	416.0

The analysis of Scheme assets was as follows:

	2019		2018	
	£m	%	£m	%
Quoted equity securities	67.4	14.8	61.2	14.7
Debt securities	380.7	83.4	349.2	83.9
Other	8.4	1.8	5.6	1.4
Total	456.5	100.0	416.0	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:

	2019 £m	2018 £m
Actual return on Scheme assets	40.9	21.6

The expected employer contribution to the Scheme in the year ending 30 June 2020 is £13.4m.

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:

	2019 £m	2018 £m
Equity-settled share-based payments:		
LTPP	4.1	4.8
Sharesave	1.6	1.1
SMIS	3.7	2.8
DBP	2.9	2.3
ELTIP	1.8	-
	14.1	11.0

As at 30 June 2019, an accrual of £4.7m (2018: £2.7m) was recognised in respect of social security liabilities on share-based payments.

6.3.1 Share-based payments reserve

The share-based payments reserve represents the obligation of the Group in relation to equity-settled share-based payment transactions. Details of movements in the share-based payments reserve are shown on the Statement of Changes in Shareholders' Equity.

Notes to the Financial Statements continued

Year ended 30 June 2019

6.3 Share-based payments continued

6.3.2 Outstanding equity-settled share-based payments

At 30 June 2019, the following options were outstanding:

Date of grant	Option price pence	2019 number	Not exercisable after
SMSOP			
10 December 2009 (approved ¹)	118	53,570	9 December 2019
10 December 2009 (unapproved ¹)	121	58,281	9 December 2019
Total SMSOP options		111,851	
Sharesave			
30 April 2014 – 5-year plan	349	272,778	31 December 2019
29 April 2015 – 5-year plan	447	157,480	31 December 2020
27 April 2016 – 3-year plan	482	1,013,959	31 December 2019
27 April 2016 – 5-year plan	482	91,211	31 December 2021
24 April 2017 – 3-year plan	464	1,784,173	31 December 2020
24 April 2017 – 5-year plan	464	214,389	31 December 2022
20 April 2018 – 3-year plan	449	2,127,937	31 December 2021
20 April 2018 – 5-year plan	449	226,164	31 December 2023
9 April 2019 – 3-year plan	519	1,462,770	31 December 2022
9 April 2019 – 5-year plan	519	195,001	31 December 2024
Total Sharesave options		7,545,862	
LTPP			
14 December 2016 – Executive	–	1,404,671	–
24 November 2017 – Executive	–	1,233,928	–
22 October 2018 – Executive	–	1,562,932	–
14 December 2016 – Senior Management	–	765,977	–
24 November 2017 and 1 April 2018 – Senior Management	–	851,493	–
22 October 2018 – Senior Management	–	1,291,633	–
Total LTPP awards		7,110,634	
DBP			
17 October 2016	–	463,241	–
17 October 2017	–	532,114	–
22 October 2018	–	644,386	–
Total DBP awards		1,639,741	
ELTIP			
20 July 2018 - 60 th Anniversary Award	–	1,024,259	–
Total ELTIP awards		1,024,259	
Total		17,432,347	

¹ The SMSOP 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.

6.3 Share-based payments continued

6.3.3 Further information relating to the share-based payment schemes

LTPP and the ESOS

The grant of awards under the LTPP and options under the ESOS are at the discretion of the Remuneration Committee taking into account individual performance and overall performance of the Group. Vesting under these schemes is dependent upon performance conditions including TSR, EPS and ROCE. Further details can be found in the Remuneration report on pages 111 to 113.

DBP

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 110.

Sharesave

Under the Sharesave, participants are required to make monthly contributions to an 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.

SMSOP

The Board approved the grant of share options to employees under the SMSOP, which are normally exercisable between three and ten years from the date of grant, provided the employee remains employed by the Group. The 2009/10 SMSOP vested on 10 December 2012. Individuals who participate in the SMSOP are not eligible to participate in the LTPP or ESOS; therefore Executive Directors do not participate in the SMSOP. There is currently no intention to make any further grants under the SMSOP.

SMIS

Awards under the SMIS are at the discretion of the Chief Executive (or in his absence, the Chairman of the Board). Any awards under the SMIS must be held for a minimum of three years from the date of grant. Executive Directors and those individuals directly below this level are not eligible to participate in the SMIS. Any award granted under the SMIS is subject to performance conditions as set for the LTPP, excluding the TSR condition, granted in the same financial year.

ELTIP

The Board approved the 60th Anniversary Award under the ELTIP. The Award was made to all eligible employees employed as at 19 July 2018, and entitles participants to receive shares in the Company when the Award vests on 1 July 2020. Senior Management are not eligible to participate in the ELTIP. The Award is not subject to the satisfaction of any performance condition other than that participants remain employed by the Group and have not resigned before the end of the vesting period.

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:

	2019		2018	
	Weighted average exercise price in pence	Number of award units	Weighted average exercise price in pence	Number of award units
LTPP				
Outstanding at 1 July	-	5,889,141	-	5,609,544
Forfeited during the year	-	(522,298)	-	(232,232)
Exercised during the year	-	(1,196,774)	-	(1,711,888)
Granted during the year	-	2,940,565	-	2,223,717
Outstanding at 30 June	-	7,110,634	-	5,889,141
Exercisable at 30 June	-	-	-	-

Notes to the Financial Statements continued

Year ended 30 June 2019

6.3 Share-based payments continued

6.3.4 Number and weighted average exercise price of outstanding share-based payments continued

	2019		2018	
	Weighted average exercise price in pence	Number of award units	Weighted average exercise price in pence	Number of award units
ESOS				
Outstanding at 1 July	-	-	121	216,406
Exercised during the year	-	-	121	(216,406)
Outstanding at 30 June	-	-	-	-
Exercisable at 30 June	-	-	-	-

	2019		2018	
	Weighted average exercise price in pence	Number of award units	Weighted average exercise price in pence	Number of award units
SMSOP				
Outstanding at 1 July	119	163,685	119	225,005
Exercised during the year	118	(51,834)	118	(61,320)
Outstanding at 30 June	120	111,851	119	163,685
Exercisable at 30 June	120	111,851	119	163,685

	2019		2018	
	Weighted average exercise price in pence	Number of award units	Weighted average exercise price in pence	Number of award units
Sharesave				
Outstanding at 1 July	452	8,320,222	412	8,948,114
Forfeited during the year	459	(884,624)	459	(764,307)
Exercised during the year	437	(1,563,180)	311	(2,618,842)
Granted during the year	519	1,673,444	449	2,755,257
Outstanding at 30 June	470	7,545,862	452	8,320,222
Exercisable at 30 June	-	-	205	62,746

	2019		2018	
	Weighted average exercise price in pence	Number of award units	Weighted average exercise price in pence	Number of award units
DBP				
Outstanding at 1 July	-	1,206,915	-	1,224,914
Forfeited during the year	-	-	-	(93,566)
Exercised during the year	-	(211,560)	-	(491,990)
Granted during the year	-	644,386	-	567,557
Outstanding at 30 June	-	1,639,741	-	1,206,915
Exercisable at 30 June	-	-	-	-

6.3 Share-based payments continued

6.3.4 Number and weighted average exercise price of outstanding share-based payments continued

	2019		2018	
	Weighted average exercise price in pence	Number of award units	Weighted average exercise price in pence	Number of award units
SMIS				
Outstanding at 1 July	-	-	-	533,473
Forfeited during the year	-	-	-	(45,553)
Exercised during the year	-	-	-	(487,920)
Outstanding at 30 June	-	-	-	-
Exercisable at 30 June	-	-	-	-

	2019		2018	
	Weighted average exercise price in pence	Number of award units	Weighted average exercise price in pence	Number of award units
ELTIP				
Forfeited during the year	-	(196,861)	-	-
Granted during the year	-	1,221,120	-	-
Outstanding at 30 June	-	1,024,259	-	-
Exercisable at 30 June	-	-	-	-

The weighted average share price, at the date of exercise, of share options exercised during the year was 499.0p (2018: 635.7p).
The weighted average life for all schemes outstanding at the end of the year was 1.7 years (2018: 1.9 years).

6.3.5 Fair value of options and awards granted in the year

	Valuation model	Weighted average fair value of options granted	
		2019 pence	2018 pence
Sharesave	Black-Scholes model	86.6	87.1
LTPP	Black-Scholes model	495.0	632.8
DBP	Black-Scholes model	495.0	679.0
ELTIP	Black-Scholes model	453.0	-

Notes to the Financial Statements continued

Year ended 30 June 2019

6.3 Share-based payments continued

6.3.5 Fair value of options and awards granted in the year continued

Inputs used to determine fair value of options

The weighted average inputs to the Black-Scholes models were as follows:

	Grants 2019				Grants 2018		
	ELTIP	Sharesave	LTPP	DBP	Sharesave	LTPP	DBP
Average share price	532p	605p	496p	496p	560p	634p	680p
Average exercise price	–	519p	–	–	449p	–	–
Expected volatility	29.1%	29.1%	29.1%	29.1%	29.2%	29.2%	29.2%
Expected life	2.0 years	3.2 years	3.0 years	3.0 years	3.0 years	3.0 years	3.0 years
Risk free interest rate	0.77%	0.73%	0.80%	0.80%	0.90%	0.50%	0.53%
Expected dividends	7.93%	7.40%	–	–	8.13%	–	–

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.

7 Commitments, contingencies, related parties and subsidiaries

7.1 Operating lease obligations

7.1.1 The Group as lessee

At 30 June 2019, the Group and Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group				Company	
	2019		2018		2018	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Within one year	10.0	6.3	13.1	5.2	0.6	0.5
More than one year and no later than five years	22.4	7.0	26.1	6.1	2.6	0.4
In five years or more	12.6	-	18.6	-	1.8	2.5
	45.0	13.3	57.8	11.3	5.0	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 2.6 years (2018: 2.4 years) to expiry. Group property leases have an average term of 7.4 years (2018: 6.3 years) to expiry.

Company motor vehicle leases have an average term of 2.3 years (2018: 2.1 years) to expiry. Company property leases have an average term of 7.8 years (2018: 8.8 years) to expiry.

7.1.2 The Group as lessor

The Group has lease agreements with third parties for certain residential and 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 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	
	2019 £m	2018 £m
Property rental income		
Carrying value of leased assets	Notes 2.3	1.2
Rent receivable during remaining lease period		1.1
Within one year		1.1
More than one year and no later than five years		3.0
In five years or more		4.3
		8.4
Average lease term	2019 Years	2018 Years
	8.3	8.7

Notes to the Financial Statements continued

Year ended 30 June 2019

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 £444.8m (2018: £452.7m), 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. In June 2019, the Group received an estimate of the section 75 obligation. The Group is in the process of taking appropriate actuarial and legal advice on the section 75 obligation. An extension until mid-September 2019 has been agreed with the pension scheme whilst this is completed. No debt notices have been issued at the time of issuing this report. Disclosure on this matter is therefore made in accordance with note 7.2.3. The Directors consider that while it is increasingly probable that a liability could result in the future, at present there remain uncertainties in the estimate of the section 75 obligation calculation. Following communication with the Trustees a provision was recognised in relation to this matter during the year ended 30 June 2018 and year ended 30 June 2019.

Following the Grenfell Tower tragedy, amendments to the Building Regulations have been approved to implement a ban on the use of combustible materials in the external wall systems of buildings. The ban applies to new high-rise residential buildings 18 metres or more in height and includes material alterations such as the replacement of cladding. The regulations came into force on 21 December 2018. The Government has issued revised guidelines to Building Owners and those deemed the Responsible Person (normally the Management Company) to consider, as part of their fire risk assessments, the ability of any cladding system to prevent the spread of fire. The result has been that there has been more scrutiny of all materials used on building façades. The Group has undertaken a review of all of its current and legacy buildings where it has used cladding solutions. Approved Inspectors signed off all of our buildings, including the cladding used, as compliant with the relevant Building Regulations. During the year we have incurred and accrued an additional £13.9m (including JVs) of costs for the work involved in removing and replacing cladding in line with our commitment to put our customers first. We recognise that the retrospective review of building materials continues to evolve. The Financial Statements have been prepared based on currently available information; however, the costs of the removal and replacement of cladding and other works identified during the removal and replacement may change as building works progress; and future changes to Building Regulations and Fire Safety Regulations may occur as a result of the Government's consultation on reforming the building safety regulatory system following recommendations from the Independent Review of Building Regulations and Fire Safety, the impact of which is currently unknown.

7.2.2 Contingent liabilities related to JVs and associates

The Group has given counter-indemnities in respect of performance bonds and financial guarantees to its JVs totalling £12.5m at 30 June 2019 (2018: £33.2m). During the current and prior years the Group has also provided principal guarantees and cost and interest overrun guarantees in relation to the borrowings of a number of the Group's London JVs. At 30 June 2019 no principal guarantees were outstanding (2018: £9.0m) and no cost or interest overruns had been incurred (2018: £nil). The Group's maximum exposure under these cost and interest overrun guarantees is £nil as at 30 June 2019 (2018: £18.8m).

At 30 June 2019, the Group has an obligation to repay £0.9m (2018: £0.9m) of grant monies received by a JV upon certain future disposals of land.

The Group has also given a number of performance guarantees in respect of the obligations of its JVs, requiring the Group to complete development agreement contractual obligations in the event that the JVs do not perform as required under the terms of the related contracts.

There are no contingent liabilities in relation to associates at 30 June 2019 or 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.

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 2019.

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 their utilisation of these services.

	Company	
	2019	2018
	£m	£m
Transactions between the Company and its subsidiaries during the year:		
Charges in respect of management and other services provided to subsidiaries	82.7	75.8
Net interest paid by the Company on net loans from subsidiaries	4.1	1.9
Dividends received from subsidiary undertakings	593.6	560.0
Balances at 30 June:		
Amounts due to the Company from subsidiary undertakings	76.3	83.0

The Company and its subsidiaries 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 JVs

The Group has entered into transactions with its JVs as follows:

	Group	
	2019	2018
	£m	£m
Transactions between the Group and its JVs during the year:		
Charges in respect of development management and other services provided to JVs	8.4	16.0
Interest charges in respect of funding provided to JVs	2.2	1.6
Purchase of land and part-exchange properties from JVs	-	2.0
Dividends received from JVs	60.3	41.8
Balances at 30 June:		
Funding loans and interest due from JVs	79.2	104.9
Other amounts due from JVs	19.8	29.5
Loans and other amounts due to JVs	(1.8)	(2.2)

In addition, one of the Group's subsidiaries, BDW Trading Limited, contracts with a number of the Group's JVs to provide construction services.

The Group's contingent liabilities relating to its JVs 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 2019 was £nil (2018: £nil). There were no other amounts outstanding between the Group and its associate as at 30 June 2019.

Notes to the Financial Statements continued

Year ended 30 June 2019

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	Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Acre Developments Limited	2	A	Ordinary	100%	Barratt London Limited	1		Ordinary	100%
Advance Housing Limited	1	A	Ordinary	100%	Barratt Manchester Limited	1	A	Ordinary	100%
Ambrose Builders Limited	1	A	Ordinary	100%	Barratt Newcastle Limited	1	A	Ordinary	100%
Barratt Bristol Limited	1		Ordinary	100%	Barratt North London Limited	1		Ordinary	100%
Barratt Central Limited	1		Ordinary	100%	Barratt Northampton Limited	1		Ordinary	100%
Barratt Chester Limited	1	A	Ordinary	100%	Barratt Northern Limited	1		Ordinary	100%
Barratt Commercial Limited	1		Ordinary	100%	Barratt Norwich Limited	1	A	Ordinary	100%
Barratt Construction (Southern) Limited	1	A	Ordinary	100%	Barratt Pension Trustee Limited	1		Ordinary	100%
Barratt Corporate Secretarial Services Limited	1		Ordinary	100%	Barratt Poppleton Limited	1	A	Ordinary	100%
Barratt Developments (International) Limited	1		Ordinary	100%	Barratt Preston Limited	1	A	Ordinary	100%
Barratt Dormant (Atlantic Quay) Limited	1	A	Ordinary	100%	Barratt Properties Limited	1	A	Ordinary	100%
Barratt Dormant (Blackpool) Limited	1	A	Ordinary	100%	Barratt Scottish Holdings Limited	2	A	Ordinary	100%
Barratt Dormant (Capella) Limited	1	A	Ordinary	100%	Barratt South London Limited	1		Ordinary	100%
Barratt Dormant (Cheadle Hulme) Limited	1	A	Ordinary	100%	Barratt South Wales Limited	1		Ordinary	100%
Barratt Dormant (Harlow) Limited	1	A	Ordinary	100%	Barratt South West Limited	1	A	Ordinary	100%
Barratt Dormant (Riverside Exchange Sheffield C2) Limited	1	A	Ordinary	100%	Barratt Southern Counties Limited	1		Ordinary	100%
Barratt Dormant (Riverside Exchange Sheffield L/M) Limited	1	A	Ordinary	100%	Barratt Southern Limited	1		Ordinary	100%
Barratt Dormant (Riverside Quarter) Limited	1	A	Ordinary	100%	Barratt Southern Properties Limited	1	A	Ordinary	100%
Barratt Dormant (Riverside Sheffield Building C1) Limited	1	A	Ordinary	100%	Barratt Special Projects Limited	1	A	Ordinary	100%
Barratt Dormant (Rugby) Limited	1	A	Ordinary	100%	Barratt St Mary's Limited	1	A	Ordinary	100%
Barratt Dormant (Southampton) Limited	1	A	Ordinary	100%	Barratt St Paul's Limited	1	A	Ordinary	100%
Barratt Dormant (Thetford) Limited	1	A	Ordinary	100%	Barratt Sutton Coldfield Limited	1	A	Ordinary	100%
Barratt Dormant (Tyers Bros. Oakham) Limited	1	A	Ordinary	100%	Barratt Trade And Property Company Limited	2	A	Ordinary	100%
Barratt Dormant (Walton) Limited	1	A	Ordinary	100%	Barratt Urban Construction (East London) Limited	1	A	Ordinary	100%
Barratt Dormant (WB Construction) Limited	1	A	Ordinary	100%	Barratt Urban Construction (Northern) Limited	1	A	Ordinary	100%
Barratt Dormant (WB Developments) Limited	1	A	Ordinary	100%	Barratt Urban Construction (Scotland) Limited	2	A	Ordinary	100%
Barratt Dormant (WB Properties Developments) Limited	1	A	Ordinary	100%	Barratt West Midlands Limited	1		Ordinary	100%
Barratt Dormant (WB Properties Northern) Limited	1	A	Ordinary	100%	Barratt West Scotland Limited	2		Ordinary	100%
Barratt East Anglia Limited	1	A	Ordinary	100%	Barratt Woking Limited	1	A	Ordinary	100%
Barratt East Midlands Limited	1		Ordinary	100%	Barratt York Limited	1		Ordinary	100%
Barratt East Scotland Limited	45	A	Ordinary	100%	Bart 225 Limited	1	A	Ordinary	100%
Barratt Eastern Counties Limited	1	A	Ordinary	100%	Base East Central Rochdale LLP	1	A	N/A	N/A
Barratt Edinburgh Limited	2	A	Ordinary	100%	Base Hattersley LLP	1	A	N/A	N/A
Barratt Evolution Limited	1	A	Ordinary	100%	Base Regeneration LLP	1	A	N/A	N/A
Barratt Falkirk Limited	2	A	Ordinary	100%	Base Werneth Oldham LLP	1	A	N/A	N/A
Barratt Leeds Limited	1		Ordinary	100%	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	1	A	N/A	N/A
					Bradgate Development Services Limited	1	A	Ordinary	100%
					Broad Oak Homes Limited	1	A	Ordinary	100%

7.4 Group subsidiary undertakings continued

Subsidiary	Registered office	Notes	Class of share held	% of shares owned	Subsidiary	Registered office	Notes	Class of share held	% of shares owned
C V (Ward) Limited	1	A	Ordinary	100%	Janellis (No.2) Limited	1	A	Ordinary	100%
Cameoplot Limited	1	A	Ordinary	100%	Kealoha 11 Limited	1	A	Ordinary	100%
CHQOS 429 Limited	1	A	Ordinary	100%	Kealoha Limited	1	A	Ordinary	100%
Crossbourne Construction Limited	1	A	Ordinary	100%	Kingsoak Homes Limited	1		Ordinary	100%
David Wilson Estates Limited	1	A	Ordinary	100%	Knightsdale Homes Limited	1		Ordinary	100%
David Wilson Homes (Anglia) Limited	1	A	Ordinary	100%	Lindmere Construction Limited	1	A	Ordinary	100%
David Wilson Homes (East Midlands) Limited	1	A	Ordinary	100%	Marple Development Company Limited	1	A	Ordinary	100%
David Wilson Homes (Home Counties) Limited	1	A	Ordinary	100%	Meridian Press Limited	1	A	Ordinary	100%
David Wilson Homes (North Midlands) Limited	1	A	Ordinary	100%	Milton Park Homes Limited	1	A	Ordinary	100%
David Wilson Homes (Northern) Limited	1	A	Ordinary	100%	Mountdale Homes Limited	1		Ordinary	100%
David Wilson Homes (South Midlands) Limited	1	A	Ordinary	100%	Norfolk Garden Estates Limited	1	A	Ordinary	100%
David Wilson Homes (Southern) Limited	1	A	Ordinary	100%	North West Land Developments Limited	1	A	Ordinary	100%
David Wilson Homes (Western) Limited	1	A	Ordinary	100%	Oregon Contract Management Limited	3	A	Ordinary	100%
David Wilson Homes Land (No 9) Limited	1	A	Ordinary	100%	Oregon Timber Frame Limited	3	A	Ordinary	100%
David Wilson Homes Land (No 10) Limited	1	A	Ordinary	100%	Redbourne Builders Limited	1	A	Ordinary	100%
David Wilson Homes Land (No 11) Limited	1	A	Ordinary	100%	Roland Bardsley Homes Limited	1	A	Ordinary	100%
David Wilson Homes Land (No 12) Limited	1	A	Ordinary	100%	Scothomes Limited	2	A	Ordinary	100%
David Wilson Homes Land (No 13) Limited	1	A	Ordinary	100%	Scottish Homes Investment Company, Limited	2	A	Ordinary	100%
David Wilson Homes Land (No 14) Limited	1	A	Ordinary	100%	Skydream Property Co. Limited	1	A	Ordinary	100%
David Wilson Homes Land (No 15) Limited	1	A	Ordinary	100%	SQ Holdings Limited	4	A	Ordinary	90%
David Wilson Homes Limited	1	A	Ordinary	100%	Squires Bridge Homes Limited	1	A	Ordinary	100%
David Wilson Homes Services Limited	1	A	Ordinary	100%	Squires Bridge Limited	1	A	Ordinary	100%
David Wilson Homes Yorkshire Limited	1	A	Ordinary	100%	Swift Properties Limited	1	A	Ordinary	100%
Decorfresh Projects Limited	1	A	Ordinary	100%	The French House Limited	1	A	Ordinary	100%
Dicconson Holdings Limited	1	A	Ordinary	100%	The Tin Hat Regeneration Partnership LLP	1	A	N/A	N/A
E. Barker Limited	1	A	Ordinary	100%	Tomnik Limited	1	A	Ordinary	100%
E. Geary & Son Limited	1	A	Ordinary	100%	Trencherwood Commercial Limited	1	A	Ordinary	100%
English Oak Homes Limited	1		Ordinary	100%	Trencherwood Construction Limited	1	A	Ordinary	100%
Francis (Springmeadows) Limited	1	A	Ordinary	100%	Trencherwood Developments Limited	1	A	Ordinary	100%
Frenchay Developments Limited	1	A	Ordinary	100%	Trencherwood Estates Limited	1	A	Ordinary	100%
G.D. Thorner (Construction) Limited	1	A	Ordinary	100%	Trencherwood Group Services Limited	1	A	Ordinary	100%
G.D. Thorner (Holdings) Limited	1	A	Ordinary	100%	Trencherwood Homes (Holdings) Limited	1	A	Ordinary	100%
Glasgow Trust Limited	2	A	Ordinary	100%	Trencherwood Homes (Midlands) Limited	1	A	Ordinary	100%
Hartswood House Limited	1		Ordinary	100%	Trencherwood Homes (South Western) Limited	1	A	Ordinary	100%
Hawkstone (South West) Limited	1	A	Ordinary	100%	Trencherwood Homes (Southern) Limited	1	A	Ordinary	100%
Heartland Development Company Limited	1	A	Ordinary	100%	Trencherwood Homes Limited	1	A	Ordinary	100%
Idle Works Limited	1	A	Ordinary	100%	Trencherwood Housing Developments Limited	1	A	Ordinary	100%
J. G. Parker Limited	1	A	Ordinary	100%	Trencherwood Investments Limited	1	A	Ordinary	100%
James Harrison (Contracts) Limited	2	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%

Notes to the Financial Statements continued

Year ended 30 June 2019

7.4 Group subsidiary undertakings continued

Subsidiary	Registered office	Notes	Class of share held	% of shares owned	Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Vizion [MK] Properties LLP	1	A	N/A	N/A	Aylesham Village (Barratt) Residents Management Company Limited	21	A, B	N/A	N/A
VSM (Bentley Priory 1) Limited	1	A	Ordinary	100%	B5 Central Residents Management Company Limited	23	A, B	N/A	N/A
VSM (Bentley Priory 2) Limited	1	A	Ordinary	100%	Baggeridge Village Management Company Limited	5	A, B	N/A	N/A
VSM (Bentley Priory 3) Limited	1	A	Ordinary	100%	Barley Fields Management Company Limited	10	A, B	N/A	N/A
VSM (Bentley Priory 4) Limited	1	A	Ordinary	100%	Barley Meadows (Southminster) Management Company Limited	14	A, B	N/A	N/A
VSM (Bentley Priory 5) Limited	1	A	Ordinary	100%	Beaufort Park (Wotton Bassett) Management Limited	19	A, B	N/A	N/A
VSM (Bentley Priory 6) Limited	1	A	Ordinary	100%	Beaufort Place (Crawley) Management Company Limited	17	A, B	N/A	N/A
Ward (Showhomes) Limited	1	A	Ordinary	100%	Belle Vue (Doncaster) Management Company Limited	6	A, B	N/A	N/A
Ward Brothers (Gillingham) Limited	1	A	Ordinary	100%	Bentley Fields Residents Management Company Limited	23	A, B	N/A	N/A
Ward Holdings Limited	1	A	Ordinary	100%	Bexley College (Tower Hill) Residents Management Company Limited	21	A, B	N/A	N/A
Ward Homes (London) Limited	1	A	Ordinary	100%	Biddenham Vale Management Company Limited	15	A, B	N/A	N/A
Ward Homes (North Thames) Limited	1	A	Ordinary	100%	Bilberry Chase Residents Management Company Limited	5	A, B	N/A	N/A
Ward Homes (South Eastern) Limited	1	A	Ordinary	100%	Bishop Fields (Hereford) Management Company Limited	20	A, B	N/A	N/A
Ward Homes Group Limited	1	A	Ordinary	100%	Bishop Park (Henfield) Management Company Limited	17	A, B	N/A	N/A
Ward Homes Limited	1	A	Ordinary	100%	Bishop's Hill Residents Management Company Limited	23	A, B	N/A	N/A
Ward Insurance Services Limited	1	A	Ordinary	100%	Blackwater Reach (Southminster) Management Company Limited	14	A, B	N/A	N/A
Wards Construction (Industrial) Limited	1	A	Ordinary	100%	Blossomfields Residents Management Company Limited	5	A, B	N/A	N/A
Wards Construction (Investments) Limited	1	A	Ordinary	100%	Bluebell Woods (Wyke) Management Company Limited	10	A, B	N/A	N/A
Wards Country Houses Limited	1	A	Ordinary	100%	Bodington Manor (Adel) Management Company Limited	9	A, B	N/A	N/A
Waterton Tennis Centre Limited	29	A	Ordinary	100%	Braid Park (Tiverton) Management Company Limited	40	A, B	N/A	N/A
WBD (Wokingham) Limited	1	A	Ordinary	100%	Broadstone Mead Management Company Ltd	13	A, B	N/A	N/A
Westcountry Land (Union Corner) Limited	1	A	Ordinary	100%	Brook Gardens Barnham Management Company Limited	9	A, B	N/A	N/A
William Corah & Son Limited	1	A	Ordinary	100%	Brooklands (Milton Keynes) Management Company Limited	15	A, B	N/A	N/A
William Corah Joinery Limited	1	A	Ordinary	100%	Broomhill Park Estates Residents Association Limited	1	A	Ordinary	87%
Wilson Bowden (Atlantic Quay Number 2) Limited	1	A	Ordinary	100%	Brunel Gardens (Maidenhead) Management Company Limited	16	A, B	N/A	N/A
Wilson Bowden (Ravenscraig) Limited	1		Ordinary	100%	Brunel Gardens (Wellesley) Management Company Limited	17	A, B	N/A	N/A
Wilson Bowden City Homes Limited	1	A	Ordinary	100%	Buckshaw Village Management Company Limited	8	A	Ordinary	50%
Wilson Bowden Developments Limited	1	A	Ordinary	100%	Bure Meadows (Aytsham) Management Company Limited	14	A, B	N/A	N/A
Wilson Bowden Group Services Limited	1	A	Ordinary	100%	Butterfly Mill (Horsford) Management Company Limited	14	A, B	N/A	N/A
Wilson Bowden Limited	1		Ordinary	100%	Canal Quarter Resident Management Company Limited	16	A, B	N/A	N/A
Yeovil Developments Limited	1	A	Ordinary	100%	Cane Hill Park (Coultsdon) Management Company Limited	17	A, B	N/A	N/A
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 Management Company Limited	38	A, B	N/A	N/A					
Alexander Gate Management Company Limited	5	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. Ltd	1	A, D	N/A	N/A					
Autumn Brook (Yate) Management Company Limited	13	A, B	N/A	N/A					

7.4 Group subsidiary undertakings continued

Subsidiary	Registered office	Notes	Class of share held	% of shares owned	Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Cane Hill Park (Gateway) Management Company Limited	17	A, B	N/A	N/A	Drayton Meadows Management Company Limited	23	A, B	N/A	N/A
Canes Meadow (Brixton) Management Company Limited	40	A, B	N/A	N/A	Earls Park Management Company Limited	38	A, B	N/A	N/A
Canford Paddock (Poole) Management Company Limited	7	A, B	N/A	N/A	East Beach Walk Management Company Limited	31	A, B	N/A	N/A
Canterbury Park (High Cross) Management Company Limited	8	A, B	N/A	N/A	Edwalton (Sharp Hill) Management Company Limited	48	A, B	N/A	N/A
Carlton Green (Carlton) Management Company Limited	9	A, B	N/A	N/A	Elderwood (Bannerdale) Management Company Limited	28	A, B	N/A	N/A
Castlegate & Mowbray Park Management Company Limited	6	A, B	N/A	N/A	Embden Grange (Tavistock) Management Company Limited	40	A, B	N/A	N/A
Castle Hill (DWH1) Residents Management Company Limited	41	A, B	N/A	N/A	Elm Tree Park Management Company (Beverley) Limited	25	A, B	N/A	N/A
Cedar Ridge Management Company Limited	10	A, B	N/A	N/A	Emmet's Reach (Birkenshaw) Management Company Limited	28	A, B	N/A	N/A
Central Area Heat Company Limited	12	A, B	N/A	N/A	Eton Green Management Company Limited	16	A, B	N/A	N/A
Centurion Fields (Adel) Management Company Limited	6	A, B	N/A	N/A	Fairfield Croft Management Company Limited	6	A, B	N/A	N/A
Centurion Place (Milton Keynes) Management Company Limited	15	A, B	N/A	N/A	Fairfield (Stony Stratford) Management Company Limited	15	A, B	N/A	N/A
Chalkers Rise (Peacehaven) Management Company Limited	17	A, B	N/A	N/A	Fallows Park Management Company Limited	6	A, B	N/A	N/A
Chestnut Grange Residents Management Company Limited	5	A, B	N/A	N/A	Fardon Fields (Fardon Road) Management Company Limited	15	A, B	N/A	N/A
Clements Gate (Poringland 2) Management Company Limited	15	A, B	N/A	N/A	Filwood Park Management Company Limited	13	A, B	N/A	N/A
Clipstone Park (Leighton Buzzard) Management Company Limited	15	A, B	N/A	N/A	Foxcote Mead Management Company Limited	1	A, B	Ordinary	100%
Colliers Court (Speedwell) Management Company Limited	13	A, B	N/A	N/A	Freemen's Meadow Residents Management Company Limited	26	A, B	N/A	N/A
Coppice Green Lane Management Company Limited	5	A, B	N/A	N/A	Garnett Wharf (Otley) Management Company Limited	9	A, B	N/A	N/A
Copsewood Management Company Limited	5	A, B	N/A	N/A	Gerway Management Limited	40	A, B	N/A	N/A
Corinthian Place Management Company Limited	14	A, B	N/A	N/A	Gilden Park (Old Harlow) Residents Management Company Limited	8	A, B	N/A	N/A
Cricket Field Grove (Crowthorne) Management Company Limited	17	A, B	N/A	N/A	Gillies Meadow (Basingstoke) Management Company Limited	12	A, B	N/A	N/A
Croft Gardens (Phase 2) Management Company Limited	12	A, B	N/A	N/A	Grange Park (Hampsthwaite) Management Company Limited	10	A, B	N/A	N/A
Croft Gardens (Spencers Wood) Management Company Limited	12	A, B	N/A	N/A	Great Denham Park (Phase 11) Management Company Limited	15	A, B	N/A	N/A
Cygnets Mews (Phase 2) Management Company Limited	15	A, B	N/A	N/A	Greenkeepers Mews (Phase 3) Management Company Limited	15	A, B	N/A	N/A
Daracombe Gardens Management Company Limited	33	A, B	N/A	N/A	Greylees Management Company Limited	8	A, B	N/A	N/A
Darwin Green Management Company Limited	15	A, B	N/A	N/A	GWQ Management Limited	24	A	N/A	N/A
De Cheney Gardens Management Company Limited	38	A, B	N/A	N/A	H2363 Limited	19	A, B	N/A	N/A
De Havilland Place (Hatfield) Management Company Limited	22	A, B	N/A	N/A	Hallam Park Residents Management Company Limited	23	A, B	N/A	N/A
De Lacy Fields KM8 Management Company Limited	5	A, B	N/A	N/A	Hampton Water Management Company Limited	15	A, B	N/A	N/A
De Lacy Fields KM12 Management Company Limited	5	A, B	N/A	N/A	Hanham Hall Community Interest Company	13	A, B	N/A	N/A
Deddington Grange Management Company Limited	5	A, B	N/A	N/A	Harlow Gateway Limited	35	A, B	N/A	N/A
Dickens Gate (Staplehurst) Management Company Limited	8	A, B	N/A	N/A	Hartley Brook (Netherton) Management Company Limited	9	A, B	N/A	N/A
Doseley Park Residents Management Company Limited	5	A, B	N/A	N/A	Hawley Gardens Management Company Limited	36	A, B	N/A	N/A
					Hazelmere Management Company Limited	1	A, D	N/A	N/A
					Heathwood Park (Lindfield) Management Company Limited	17	A, B	N/A	N/A

Notes to the Financial Statements continued

Year ended 30 June 2019

7.4 Group subsidiary undertakings continued

Subsidiary	Registered office	Notes	Class of share held	% of shares owned	Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Helme Ridge (Meltham) Management Company Limited	28	A, B	N/A	N/A	Lucerne Fields (Ivybridge) Management Company Limited	40	A, B	N/A	N/A
Henbrook Gardens Management Company Limited	20	A, B	N/A	N/A	Luneside Mills Management Company Limited	8	A, B	N/A	N/A
Hewenden Ridge (Cullingworth) Management Company Limited	9	A, B	N/A	N/A	Madden Gardens Residents Management Company Limited	11	A, B	N/A	N/A
Highgrove Gardens (Romsey) Management Company Limited	7	A, B	N/A	N/A	Madgwick Park Management Company Limited	7	A, B	N/A	N/A
Hollygate Park (Cotgrave) Management Company Limited	16	A, B	N/A	N/A	Marham Park Management Company Limited	18	A, B	N/A	N/A
Impact and Willow Brook Management Company Limited	25	A, B	N/A	N/A	Market Square Residents Management Company Limited	21	A, B	N/A	N/A
Infinity Park Derby Management Company Limited	1	A, B	N/A	N/A	Marston Fields (Marston Moretaine) Management Company Limited	15	A, B	N/A	N/A
Interlink Park Management Company Limited	1	A, C	Ordinary	-	Marston Park (Marston Moretaine) Management Company Limited	15	A, B	N/A	N/A
Keeper's Meadow Residents Management Company Limited	23	A, B	N/A	N/A	Martello Lakes (Barratt) Resident Management Company Limited	8	A, B	N/A	N/A
Kennett Heath Management Limited	8	A, B	N/A	N/A	Martingale Chase (Newbury) Management Company Limited	8	A, B	N/A	N/A
Kingfisher Meadow (Horsford) Management Company Limited	14	A, B	N/A	N/A	Mayflower Green (Saxmundham) Residents Management Company Limited	15	A, B	N/A	N/A
Kingfisher Meadows Residents Management Company Limited	23	A, B	N/A	N/A	Meadowfields (Boroughbridge) Management Company Limited	9	A, B	N/A	N/A
Kingley Gate (Littlehampton) Management Company Limited	17	A, B	N/A	N/A	Meadow View Watchfield Management Company Limited	13	A, B	N/A	N/A
Kingsbourne (Nantwich) Community Management Company Limited	8	A, B	N/A	N/A	Meridian Business Park Extension Management Company Limited	1	A, C	Ordinary	2%
Kingsbrook Estate Management Company Limited	16	A, B	N/A	N/A	Mill Brook (Westbury) Management Company Limited	19	A, B	N/A	N/A
Kings Chase Residents Management Company Limited	7	A, B	N/A	N/A	Mill Springs (Whitchurch) Management Company Limited	39	A, B	N/A	N/A
Kingsdown Gate (Swindon) Management Company Limited	13	A, B	N/A	N/A	Monarchs Keep (Bursledon) Management Company Limited	46	A, B	N/A	N/A
Kings Lodge (Chilwell) Management Company Limited	26	A, B	N/A	N/A	Montague Park (Buckhurst Farm) Management Company Limited	12	A, B	N/A	N/A
Knights Park (Watton) Management Company Limited	14	A, B	N/A	N/A	Montague Park (Wokingham) Management Company Limited	17	A, B	N/A	N/A
KW (Site B) Management Company Limited	12	A, B	N/A	N/A	Montague Park No2 (Buckhurst Farm) Management Company Limited	12	A, B	N/A	N/A
Ladden Garden Village Apartment Blocks BCD Management Company Limited	30	A, B	N/A	N/A	Montgomery Place Residents Management Company Limited	5	A, B	N/A	N/A
Ladden Garden Village Management Company Limited	38	A, B	N/A	N/A	Mortimer Park (Driffild) Management Company Limited	9	A, B	N/A	N/A
Ladywell Park Management Company Limited	15	A, B	N/A	N/A	Mulberry Park (Poringland) Management Company Limited	14	A, B	N/A	N/A
Lakeside Walk (Hamworthy) Management Company Limited	7	A, B	N/A	N/A	Nexus Point Management Company Limited	1	A, C	Ordinary	-
Langham Mews Management Company Limited	44	A, B	N/A	N/A	N.E. Horley Resident Management Company Limited	25	A, B	N/A	N/A
Lay Wood (Dezives) Management Company Limited	19	A, B	N/A	N/A	Newbery Corner Management Company Ltd	13	A, B	N/A	N/A
Leithfield Park (Godatming) Management Company Limited	17	A, B	N/A	N/A	New Heritage (Bordon) Management Company Limited	46	A, B	N/A	N/A
Letcombe Gardens (Grove) Management Company Limited	12	A, B	N/A	N/A	New Mill Quarter (BL) Residents Management Company Limited	8	A, B	N/A	N/A
Liberty Rise Phase 1 (Hertford) Management Company Limited	22	A, B	N/A	N/A	New Mill Quarter (DWH) Resident Management Company Limited	8	A, B	N/A	N/A
Lock Keeper's Gate (Low Barugh) Management Company Limited	28	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					

7.4 Group subsidiary undertakings continued

Subsidiary	Registered office	Notes	Class of share held	% of shares owned	Subsidiary	Registered office	Notes	Class of share held	% of shares owned
New Mill Quarter Estate Resident Management Company Limited	8	A, B	N/A	N/A	Pinn Brook Park (Monkerton) Management Company Limited	40	A, B	N/A	N/A
Northfield Park (Patchway) Management Company Limited	32	A, B	N/A	N/A	PL2 Plymouth (2016) Limited	40	A, B	N/A	N/A
Northstowe Residents Management Company Limited	15	A, B	N/A	N/A	Poppey Fields (Cottingham) Management Company Limited	6	A, B	N/A	N/A
Northwalls Grange (Taunton) Management Company Limited	38	A, B	N/A	N/A	Poppy Fields, Charing Residents Management Company Limited	8	A, B	N/A	N/A
Norton Farm Management Company Limited	20	A, B	N/A	N/A	Portman Square West Village Reading Management Company Limited	12	A, B	N/A	N/A
Nottingham Business Park Management Company Limited	1	A, C	Ordinary	2%	Preston Grange Residents Management Company Limited	27	A, B	N/A	N/A
Nottingham Business Park (Orchard Place) Management Company Limited	1	A, C	Ordinary	2%	Priory Fields (Pontefract) Management Company Limited	10	A, B	N/A	N/A
Notton Wood View (Royston) Management Company Limited	28	A, B	N/A	N/A	Prospect Rise (Whitby) Management Company Limited	6	A, B	N/A	N/A
Oak Hill Mews Management Company Limited	20	A, B	N/A	N/A	Pye Green Management Company Limited	20	A, C	Ordinary	17%
Oakfields Residential Management Company Limited	5	A, B	N/A	N/A	Ravenhill Park Management Company Limited	20	A, B	N/A	N/A
Oakfield Village Estate Management Company Limited	16	A, B	N/A	N/A	Redhayes Management Company Limited	40	A, B	N/A	N/A
Oakhill Gardens (Swanmore) Management Company Limited	7	A, B	N/A	N/A	Redlodge (Suffolk) Management Company Limited	14	A, B	N/A	N/A
Oaklands (Pontefract) Management Company Limited	9	A, B	N/A	N/A	Redwood Heights (Plymouth) Management Company Limited	40	A, B	N/A	N/A
Oakhurst Place (Bexhill) Management Company Limited	17	A, B	N/A	N/A	Regents Gate Phase 2 Management Company Limited	40	A, B	N/A	N/A
Oakwell Grange Management Company Limited	16	A, B	N/A	N/A	Ridgeway Residential Management Company Limited	11	A, B	N/A	N/A
Oatley Park Management Company Limited	50	A, B	N/A	N/A	River Whitewater Management Company (Hook) Limited	10	A, B	N/A	N/A
One Eight Zero (Bedhampton) Management Company Limited	7	A, B	N/A	N/A	Riverdown Park (Salisbury) Management Company Limited	17	A, B	N/A	N/A
Optimus Point Management Company Limited	1	A	Ordinary	-	Riverside Exchange Management Company Limited	1	A, C	Ordinary/ Preference	22.8%
Orchard Gate (Kingston Bagpuize) Management Company Limited	12	A, B	N/A	N/A	Romans Edge Godmanchester Management Company Limited	15	A, B	N/A	N/A
Orchid Fields (Phase 2) Management Company Limited	15	A, B	N/A	N/A	Romulus Management Company Limited	1	A, C	Ordinary	4%
Park Farm (Thornbury) Community Interest Company	38	A, B	N/A	N/A	Ronkswood Residents Management Company Limited	5	A, B	N/A	N/A
Patch Meadows (Somerton) Management Company Limited	38	A, B	N/A	N/A	Rosewood Park Bexhill Residents Management Company Limited	8	A, B	N/A	N/A
Pavilion Square (Phase 2) Management Company Limited	6	A, B	N/A	N/A	Rosewood Park LH Residents Management Company Limited	8	A, B	N/A	N/A
Pavilion Square (Pocklington) Management Company Limited	6	A, B	N/A	N/A	Runshaw Management Company Limited	8	A	Ordinary	100%
Peasedown Meadows Management Company Limited	38	A, B	N/A	N/A	Salters Brook (Cudworth) Management Company Limited	28	A, B	N/A	N/A
Pembridge Park (Phase 2) Management Company Limited	26	A, B	N/A	N/A	Sandbrook Park Management Company Limited	16	A, B	N/A	N/A
Pembroke Park (Cirencester) Management Company Limited	38	A, B	N/A	N/A	Sandridge Place (Melksham) Management Company Limited	10	A, B	N/A	N/A
Penndrumm (Looe) Management Company Limited	40	A, B	N/A	N/A	Saunderson Gardens Management Co Limited	28	A, B	N/A	N/A
Perry Court (Faversham) Management Company Limited	8	A, B	N/A	N/A	Saxon Dean (Silsden) Management Company Limited	10	A, B	N/A	N/A
Phoenix And Scorseby Park Management Company Limited	6	A, B	N/A	N/A	Saxon Fields (Cullompton) Management Company Limited	40	A, B	N/A	N/A
Phoenix Quarter – Apt – Management Company Limited	21	A, B	N/A	N/A	Saxon Gate (Leonard Stanley) Management Company Limited	10	A, B	N/A	N/A
Phoenix Quarter Estate Management Company Limited	21	A, B	N/A	N/A	Saxon Gate (Stamford Bridge) Management Company Limited	6	A, B	N/A	N/A
					Saxon Mills (Hassocks) Management Company Limited	17	A, B	N/A	N/A

Notes to the Financial Statements continued

Year ended 30 June 2019

7.4 Group subsidiary undertakings continued

Subsidiary	Registered office	Notes	Class of share held	% of shares owned	Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Saxon Rise (Brixworth) Management Company Limited	15	A, B	N/A	N/A	The Meads (Frampton Cotterell) Management Company Limited	13	A, B	N/A	N/A
Silkwood Gate (Wakefield) Management Company Limited	9	A, B	N/A	N/A	The Mounts Residents Management Company Limited	5	A, B	N/A	N/A
Spinney Fields Residents Management Company Limited	5	A, B	N/A	N/A	The Nurseries (Thrapston) Management Company Limited	47	A, B	N/A	N/A
Spring Valley View (Clayton) Management Company Limited	28	A, B	N/A	N/A	The Old Meadow Management Company Limited	5	A, B	N/A	N/A
St. Andrews Place (Morley) Management Co. Limited	28	A, B	N/A	N/A	The Orchards Oakley Management Company Limited	1	A	Ordinary	60%
St Andrews View (Morley) Management Company Limited	42	A, B	N/A	N/A	The Orchards (Roby) Management Company Limited	8	A, B	N/A	N/A
St Giles Park (Tattenhoe) Management Company Limited	15	A, B	N/A	N/A	The Orchards (Withington) Residents Management Company Limited	5	A, B	N/A	N/A
St James Gardens (Wick) Management Company Limited	29	A, B	N/A	N/A	The Orchids (Sarisbury Green) Management Company Limited	31	A, B	N/A	N/A
St James Management Company Limited	9	A, B	N/A	N/A	The Oysters (Hayling Island) Management Company Limited	7	A, B	N/A	N/A
St. John's Walk (Hoylandswaine) Management Company Limited	28	A, B	N/A	N/A	The Paddocks (Langford) Management Company Limited	15	A, B	N/A	N/A
St Laurence Meadows Management Company Limited	20	A, B	N/A	N/A	The Paddocks (Skelmanthorpe) Management Company Limited	28	A, B	N/A	N/A
St Margaret's View (Crick) Management Company Limited	15	A, B	N/A	N/A	The Paddocks (Southmoor) Management Company Limited	12	A, B	N/A	N/A
St. Mary's Park (Hartley Wintney) Management Company Limited	25	A, B	N/A	N/A	The Pastures (Knaresborough) Management Company Limited	6	A, B	N/A	N/A
St. Oswald's View (Methley) Management Company Limited	9	A, B	N/A	N/A	The Pavilions Management Company (Southampton) Limited	46	A, B	N/A	N/A
St Wilfrids Walk Management Company Limited	6	A, B	N/A	N/A	The Spires (Chesterfield) Management Company Limited	26	A, B	N/A	N/A
Stansted Road (Kingswood Place Elsenham) Management Company Limited	18	A, B	N/A	N/A	The Spires (St Ives) Management Company Limited	15	A, B	N/A	N/A
Stoneyfield Management Limited	1	A	Ordinary	100%	The Sycamores (Peterborough) Management Company Limited	15	A, B	N/A	N/A
Swallows Field (Hemel Hempstead) Management Company Ltd	22	A, B	N/A	N/A	The Vineyards Management Company Limited	38	A, B	N/A	N/A
Swanbourne Park Management Company Limited	9	A, B	N/A	N/A	The Zone (Temple Quay) Management Company Limited	43	A, B	N/A	N/A
Swan Mill (Newbury) Management Company Limited	12	A, B	N/A	N/A	Tranby Fields Management Company Limited	10	A, B	N/A	N/A
Swinbrook Park (Carterton) Management Company Limited	12	A, B	N/A	N/A	Trinity Square (NW9) Management Company Limited	11	A, B	N/A	N/A
Tarka Ridge (Yelland) Management Company Limited	40	A, B	N/A	N/A	Trinity Village (Phase 1B) Residents Company Limited	8	A, B	N/A	N/A
Templar's Chase (Wetherby) Management Company Limited	9	A, B	N/A	N/A	Trumpington (Phase 8 - 11) Management Company Limited	14	A, B	N/A	N/A
The Belt Open Space Management Co Limited	6	A, B	N/A	N/A	Trumpington Vista Management Company Limited	14	A, B	N/A	N/A
The Brackens (Brackley) Management Company Limited	15	A, B	N/A	N/A	Union Park (Falmouth) Management Company Limited	40	A, B	N/A	N/A
The Causeway Park (Petersfield) Management Company Limited	34	A, B	N/A	N/A	Victoria Walk Management Company Limited	46	A, B	N/A	N/A
The Chocolate Works Management Company Limited	37	A, B	N/A	N/A	Walton Gate (Felixstowe) Management Company Limited	14	A, B	N/A	N/A
The Foundry (Wakefield) Management Company Ltd	9	A, B	N/A	N/A	Warren Grove (Storrington) Management Company Limited	49	A, B	N/A	N/A
The Furlongs (Westergate) Management Company Limited	39	A, B	N/A	N/A	Waters Edge (Mossley) Management Company Limited	8	A, B	N/A	N/A
The Glassworks (Catcliffe) Management Company Limited	28	A, B	N/A	N/A	Waterside (The Quays Barry) Management Company Number 1 Limited	29	A, B	N/A	N/A
The Grange (Lightcliffe) Management Company Limited	28	A, B	N/A	N/A	Waterside (The Quays Barry) Management Company Number 2 Limited	29	A, B	N/A	N/A
The Hedgerows (Thurcroft) Management Company Limited	9	A, B	N/A	N/A					

7.4 Group subsidiary undertakings continued

Subsidiary	Registered office	Notes	Class of share held	% of shares owned	
Waterside (The Quays Barry) Management Company Number 3 Limited	29	A, B	N/A	N/A	Northallerton, North Yorkshire, DL6 2NJ
WBD Blenheim Management Company Limited	1	A, C	Ordinary	1%	7 Tollbar House, Tollbar Way, Hedge End, Southampton, Hampshire, SO30 2UH
WBD (Chalfont Park) Limited	1	A, C	Ordinary	-	8 Rmg House, Essex Road, Hoddesdon, Hertfordshire, EN11 0DR
WBD (Chesterfield Management) Limited	1	A	Ordinary	25%	9 Gateway House, 10 Coopers Way, Southend on Sea, Essex, SS2 5TE
WBD (Chesterfield) Plot Management Company Limited	1	A, C	Ordinary	25%	10 Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
WBD (Kingsway Management) Limited	1	A, B	N/A	N/A	11 167 Turners Hill, Cheshunt, Waltham Cross, Hertfordshire, EN8 9BH
WBD (Riverside Exchange Sheffield B) Limited	1	A	Ordinary	100%	12 Norgate House, Tealgate, Charnham Park, Hungerford, Berkshire, RG17 0YT
WBD Riverside Sheffield Building K Limited	1	A	Ordinary	100%	13 Units 1, 2, & 3 Beech Court, Wokingham Road, Hurst, Reading, RG10 0RU
Weavers Chase (Golcar) Management Company Limited	9	A, B	N/A	N/A	14 Barratt House, 7 Springfield Lyons Approach, Chelmsford, Essex, CM2 5EY
Webheath (Redditch) Management Company Limited	33	A, B	N/A	N/A	15 The Maltings, Hyde Hall Farm, Sandon, Hertfordshire, SG9 0RU
Wedgwood Residents Management Company Limited	5	A, B	N/A	N/A	16 2 Hills Road, Cambridge, Cambridgeshire, CB2 1JP
Westbridge Park (Auckley) Management Company Limited	26	A, B	N/A	N/A	17 Barratt House, Walnut Tree Close, Guildford, Surrey, GU1 4SW
Weston Meadows, (Calne) Management Company Limited	50	A, B	N/A	N/A	18 Fisher House, 84 Fisherton Street, Salisbury, SP2 7QY
West Village Reading Management Limited	12	A, D	N/A	N/A	19 2nd Floor Aztec Centre, Aztec West, Bristol BS32 4TD
Willow Farm Management Company Limited	1	A, C	Ordinary	1%	20 60 Whitehall Road, Halesowen, B63 3JS
Willow Grove (Stopsley) Management Company Limited	8	A, B	N/A	N/A	21 Gem House, 1 Dunhams Lane, Letchworth Garden City, Hertfordshire SG6 1GL
Willow Grove (Wixams) Management Company Limited	15	A, B	N/A	N/A	22 Wellstones House, Wellstones, Watford, Hertfordshire, WD17 2AF
Willowmead (Wiveliscombe) Management Company Limited	50	A, B	N/A	N/A	23 Remus 2, 2 Cranbook Way, Solihull Business Park, Solihull, West Midlands B90 4GT
Winnington Village Community Management Company Limited	26	A, B	N/A	N/A	24 Wallis House, Great West Road, Brentford, Middlesex, TW8 9BS
Withies Bridge Management Company Ltd	30	A, B	N/A	N/A	25 Firstport Property Services Limited, Marlborough House, Wigmore Place, Wigmore Lane, Luton, LU2 9EX
Woodhall Grange Management Company Limited	6	A, B	N/A	N/A	26 Chiltern House, 72-74 King Edward Street, Macclesfield, Cheshire, SK10 1AT
Woodlands Walk (Branton) Management Company Limited	6	A, B	N/A	N/A	27 Jarmans Solicitors, Bell House, Bell Road, Sittingbourne, Kent ME10 4DH
Wychwood Park (Haywards Heath) Management Company Limited	17	A, B	N/A	N/A	28 Raynham House, 2 Capitol Close, Morley, Leeds, West Yorkshire, LS27 0WH
					29 Oak House, Village Way, Cardiff, CF15 7NE
					30 Unit 2 Beech Court, Wokingham Road, Hurst, Twyford, Berkshire, RG10 0RQ
					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 Watson, Glendevon House, 4 Hawthorn Park, Coal Road, Leeds, West Yorkshire, LS14 1PQ
					38 Units 2 & 3 Beech Court, Wokingham Road, Hurst, Berkshire, RG10 0RQ
					39 PO Box 648, Gateway House, Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO50 0ND
					40 Woodwater House, Pynes Hill, Exeter, Devon, EX2 5WR
					41 2 Templeback East, Temple Quay, Bristol, BS1 6EG
					42 Freemont Property Managers Ltd, 3 The Old School, The Square, Pennington, Lynton, Hampshire, SO41 8GN
					43 2 Westfield Park, Barns Ground, Kenn, Clevedon, Somerset, BS21 6UA
					44 Unit 7 Hockliffe Business Park, Watling Street, Hockliffe, Leighton Buzzard, Bedfordshire, LU7 9NB
					45 Telford House, 3 Mid New Cultins, Edinburgh, Midlothian, EH11 4DH
					46 128 Pyle Street, Granary Court, Newport, Isle of Wight, UK, PO30 1JW
					47 A5 Optimum Business Park, Optimum Road, Swadlincote, Derbyshire, DE11 0WT
					48 154-155 Great Charles Street Queensway, Birmingham, B3 3LP
					49 Thamesbourne Lodge, Station Road, Bourne End, Buckinghamshire, SL8 5QH
					50 1 West Point Court, Great Park Road, Bradley Stoke, Bristol, BS32 4PY

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, Bardonia 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,

Greenhouse Gas Emissions Disclosure

Greenhouse gas emissions (tonnes CO ₂ e)	2019						2018 (restated) ⁵				
	Notes	Scope 1	Scope 2	Scope 3	Total	Carbon intensity tCO ₂ e per 100m ²	Scope 1	Scope 2	Scope 3	Total	Carbon intensity tCO ₂ e per 100m ²
		Direct	Energy indirect	Other indirect			Direct	Energy indirect	Other indirect		
Building homes	5	22,224	3,420	291	25,935	1.52	22,170	4,526	423	27,119	1.57
Building other properties	5	27	35	483	545	0.03	18	13	344	375	0.02
Administrative activities	5	2,381	1,447	7,107	10,935	0.64	2,534	1,910	7,143	11,587	0.67
Share of joint ventures	5	200	114	15	329	0.02	244	145	13	402	0.02
Total location-based	3	24,832	5,016	7,896	37,744	2.21	24,966	6,594	7,923	39,483	2.28
Total market-based	3	24,832	3,411	7,896	36,139	2.12	24,966	4,992	7,923	37,881	2.19

1. Methodology

Greenhouse gas emissions are reported in line with the 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 1.01 June 2018 (2018: Version 1 June 2017). As the Group operates in Great Britain only, the Group's emissions stated above are amounts for both Global and UK and offshore emissions.

Where actual emissions for all of the individual periods that make up the financial year are not available by the reporting date, the Group applies the use of estimates. Any such estimates are based on identifiable and measurable drivers in accordance with the Group's corporate sustainability policies and procedures.

2. Organisational boundary

The Group reports on sources of material emissions over which it has financial control. The Group has opted to apply this approach in order to provide a view consistent with the Financial Statements. Emissions from subsidiaries are reported in full. Emissions from joint arrangements are stated at the Group's share of profits from the arrangements in the year, which, due to the complexity of funding arrangements, the Group considers is best representative of the activities and emissions attributable to it, consistent with the Financial Statements. Emissions from associates are excluded.

3. Greenhouse Gas Reporting Protocol

In line with the revised Greenhouse Gas Reporting Protocol, the Group is 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. Purchased renewable sources of electricity used on sites and in offices is supported by Renewable Energy Guarantees of Origin certificates.

4. Carbon intensity measure

Carbon intensity is measured as tonnes of CO₂e per 100 square metres of homes and other properties legally completed in the year.

5. Operational boundary

The Group reports on the sources of material greenhouse gas emissions from its main activities categorised as:

Activity	Source of emissions	Scope 1	Scope 2	Scope 3
		Direct	Energy indirect	Other indirect
Building homes	Emissions from the construction and sale of homes on sites. Joint operation sites are stated at the Group's share.	Red diesel, natural gas and liquid petroleum gas.	Purchased electricity.	Transmission and distribution losses from purchased electricity.
Building other properties	Emissions from the construction and sale of other properties on sites.	Red diesel, natural gas and liquid petroleum gas.	Purchased electricity.	Transmission and distribution losses from purchased electricity. Sub-contracted site fuel emissions for Wilson Bowden Developments Limited.
Administrative activities	Emissions from operating the Group's owned and controlled administrative offices, including the BD Living workshop.	Natural gas, biomass fuel and refrigerant losses.	Purchased electricity and purchased heat and steam.	Transmission and distribution losses from purchased electricity. Losses from purchased heat and steam.
Share of joint ventures	Emissions from business travel by employees.	Forecourt fuel used in owned and controlled vans.	N/A	Forecourt fuel and electricity used by all other road vehicles. Emissions from travel by rail and flights. Transmission and distribution losses from purchased electricity for charging battery electric cars.
Share of joint ventures	Emissions from the construction and sale of homes and other properties on joint venture sites, stated at the Group's share.	Red diesel, natural gas and liquid petroleum gas.	Purchased electricity.	Transmission and distribution losses from purchased electricity.

Emissions related to peripheral activities, such as the sale of part-exchanged properties, property management and the letting of premises to third parties, have been excluded on the basis of materiality and to provide readers with useful emissions information resulting from the Group's core activities as a housebuilder. Subcontracted (indirect) emissions are also excluded unless stated. Business travel for sundry journeys by taxi, tram and London Underground have been excluded on the basis of materiality and that at present, data collection for these transport types is impractical.

6. Restatement of the comparative year and base year

The Group seeks to provide comprehensive and useful reporting of emissions to the readers of its Annual Report and to evolve its reporting practices within this emerging area. The Group's approach was reviewed during the year and the comparative year and base year were restated for the following:

- i. The Group reviewed the appropriateness of each of the emission factors applied to its emission sources. The factor applied to the Group's red diesel used by plant and machinery on construction sites was changed from mineral diesel oil to gas oil. The factors applied to the Group's business travel using flights were changed from factors without radiative forcing to factors with radiative forcing.
- ii. The Group expanded the collection of data for energy expended on its sites in 2019. This increased the scope of the data collected to include: energy expended on sites that were active but had not yet completed the sale of any homes in the year; energy expended on completed sites for infrastructure, such as street lighting, that had not yet been adopted by the local authority; and more details of the suppliers of the Group's electricity to its office facilities.
- iii. The Group adopted the financial control approach to its consolidated greenhouse gas emissions reporting in the year in order to provide a view consistent with the Financial Statements and to be a better reflection of the emissions that the Group is able to directly influence. Under this approach, emissions from the Group's joint arrangements for the comparative year have been restated at the Group's share of profits from these arrangements. Sub-contracted indirect emissions from Wilson Bowden Developments Limited (a wholly owned subsidiary specialising in the project management of commercial property construction) were added to the Group's consolidated emissions. Emissions for business travel from the Group's leased vans were reclassified from scope 3 (indirect) to scope 1 (direct) emissions.
- iv. The Group has restated its intensity metric from tonnes of CO₂e per 1,000 square feet completed to tonnes of CO₂e per 100 square metres completed in order to improve consistency with the industry sector.

Greenhouse Gas Emissions Disclosure

continued

The effect of these changes on the total greenhouse gas emissions for the comparative year was:

		2018			2018	
Greenhouse gas emissions (tonnes CO ₂ e)		As published	Review of the emission factors applied	Increased the scope of data collected	Adoption of the financial control approach	Restated
Scope 1 emissions		19,426	1,477	2,639	1,424	24,966
Scope 2 emissions	Location-based	6,265	-	450	(121)	6,594
	Market-based	4,903	-	177	(88)	4,992
Scope 3 emissions		9,177	41	42	(1,337)	7,923
Total	Location-based	34,868	1,518	3,131	(34)	39,483
	Market-based	33,506	1,518	2,858	(1)	37,881
Carbon intensity as applied in 2018 (tCO ₂ e per 1,000 sq. ft)	Location-based	1.87	0.08	0.17	-	2.12
	Market-based	1.80	0.08	0.16	-	2.04
Restated carbon intensity (tCO₂e per 100m²)	Location-based	2.02	0.08	0.18	-	2.28
	Market-based	1.94	0.08	0.17	-	2.19

The effect of these changes on the total greenhouse gas emissions for the base year was:

		2015			2015	
Greenhouse gas emissions (tonnes CO ₂ e)		As published	Review of the emission factors applied	Increased the scope of data collected	Adoption of the financial control approach	Restated
Scope 1 emissions		18,224	1,073	3,516	1,206	24,019
Scope 2 emissions	Location-based	11,843	-	539	(573)	11,809
Scope 3 emissions		9,150	94	45	(1,562)	7,727
Total	Location-based	39,217	1,167	4,100	(929)	43,555
Carbon intensity as applied in 2015 (tCO ₂ e per 1,000 sq. ft)	Location-based	2.36	0.07	0.25	(0.06)	2.62
Restated carbon intensity (tCO₂e per 100m²)	Location-based	2.54	0.08	0.27	(0.07)	2.82

Glossary

Active outlet	A site with at least one plot for sale
AGM	Annual General Meeting
AIMCH	<i>Advanced Industrialised Methods for the Construction of Homes</i>
Articles	The Company's Articles of Association
ASP	Average selling price
Barratt	Barratt Developments PLC and its subsidiary undertakings
BBA	British Board of Agrément
BEIS	Department for Business, Energy and Industrial Strategy
BLIL	Barratt London Investments Limited
BRAM	Barratt Residential Asset Management Limited
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
Building Regulations	The requirements relating to the erection and extension of buildings under UK Law
Capital employed	Average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit assets/ obligations and derivative financial instruments
CBI	Confederation of British Industry
CCC	Committee on Climate Change
CDP	Carbon Disclosure Project
CIEEM	Chartered Institute of Ecology and Environmental Management
CIP	Co-Investment Plan
CIRIA	Construction Industry Research and Information Association
CITB	Construction Industry Training Board
CMA	Competition and Markets Authority
CMI	The actuarial profession's Continuous Mortality Investigation
Connected persons	As defined in the EU Market Abuse Regulation
CRM	Customer Relationship Management
DBO	Defined Benefit Obligation
DBP	Deferred Bonus Plan
DCLG	Department for Communities and Local Government
DECC	Department of Energy and Climate Change
DEFRA	Department for Environment, Food and Rural Affairs
DTRs	Disclosure Guidance and Transparency Rules
EBT	Barratt Developments Employee Benefit Trust
ELTIP	Employee Long Term Incentive Plan
EPS	Earnings per share
ESG	Environmental Social Governance
EU	European Union
FRC	Financial Reporting Council
FSC	Forest Stewardship Council
FY	Financial year ended 30 June
GDPR	General Data Protection Regulation
GHG	Greenhouse Gas
GMP	Guaranteed Minimum Pension
GRI	Global Reporting Initiative
HBF	Home Builders Federation
HMRC	HM Revenue & Customs
HR	Human Resources
IA	Investment Association
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IEMA	Institute of Environmental Management and Assessment
IFRIC	International Financial Reporting Interpretations Committee
IFRS	<i>International Financial Reporting Standards</i>
IIR	Injury incidence rate
IIRC	International Integrated Reporting Council
IOSH	Institution of Occupational Safety and Health
<IR>	Integrated Report
ISAE	International Standard on Assurance Engagements
ISDA	International Swaps and Derivatives Association
ISO	International Organisation for Standardisation

Glossary

continued

JVs	Joint ventures
KPI	Key performance indicator
LIBOR	The London Interbank Offered Rate
LTI	Long term incentive
LTI lending	Loan to Incentive mortgage lending
LTPP	Long Term Performance Plan
LTV	Loan to Value
MMC	Modern methods of construction
MPC	The Monetary Policy Committee
Net cash	Cash and cash equivalents, bank overdrafts, interest bearing borrowings, prepaid fees 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
NI	National Insurance
Non-recurring items	Costs associated with legacy properties and reversal of impairment/ impairment of inventories
NPPF	The National Planning Policy Framework
Ofcom	The regulator and competition authority for the UK communications industries
OHSAS	Occupational Health and Safety Management Systems
ONS	Office of National Statistics
Operating margin	Profit from operations divided by revenue
Oregon	Oregon Timber Frame Limited and its subsidiary Oregon Contract Management Limited
PBT	Profit before tax
PEFC	The Programme for the Endorsement of Forest Certification
PwC	PricewaterhouseCoopers LLP
RBLI	Royal British Legion Industries
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
REGO	Renewable Energy Guarantees of Origin
ROCE	Return on capital employed calculated as described on pages 207 and 208
RSPB	Royal Society for the Protection of Birds
SAPS	Self-administered Pension Scheme
SECR	Streamlined Energy and Carbon Reporting
Sharesave	Savings-Related Share Option Scheme
SHE	Safety, Health and the Environment
SIC	Standing Interpretations Committee
Site ROCE	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
SSP	Single Sales Principle - Academy training programme
TCFD	The Task Force for Climate-Related Financial Disclosure
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
Total gearing including land creditors	Land creditors and net debt/cash divided by net tangible assets
TRADA	Timber Research And Development Association
TSR	Total shareholder return
UKLA	UK Listing Authority
Underlying ROCE	ROCE as defined on pages 207 and 208, with net assets also adjusted for land creditors
UN SDGs	United Nations' Sustainable Development Goals
USPP	US Private Placement
WACC	Weighted average cost of capital
WBD	Wilson Bowden Developments Limited
WIP	Work in progress

Five year record and alternative performance measures

Five year record (Unaudited)

	2019	2018	2017	2016	2015
Revenue (£m)	4,763.1	4,874.8	4,650.2	4,235.2	3,759.5
Profit before tax (£m)	909.8	835.5	765.1	682.3	565.5
Share capital and equity (£m)	4,869.0	4,597.7	4,322.2	4,010.2	3,711.3
Per ordinary share:					
Basic earnings per share (pence)	73.2	66.5	61.3	55.1	45.5
Dividend (interim paid and final proposed (pence))	29.1	26.5	24.4	18.3	15.1
Special cash payment proposed (pence)	17.3	17.3	17.3	12.4	10.0

Definitions of alternative performance measures and reconciliation to IFRS

The Group uses a number of alternative performance measures which are not defined within IFRS. The Directors use these alternative performance measures, along with IFRS measures, to assess the operational performance of the Group as detailed in the Strategic Report on pages 4 to 6. Definitions and reconciliations of the financial alternative performance measures used to IFRS measures, are included below:

Gross margin is defined as gross profit divided by revenue:

	2019	2018
Revenue per Consolidated Income Statement (£m)	4,763.1	4,874.8
Gross profit per Consolidated Income Statement (£m)	1,084.2	1,008.9
Gross margin	22.8%	20.7%

Operating margin is defined as profit from operations divided by revenue:

	2019	2018
Revenue per Consolidated Income Statement (£m)	4,763.1	4,874.8
Profit from operations per Consolidated Income Statement (£m)	901.1	862.6
Operating margin	18.9%	17.7%

Return on Capital Employed ('ROCE') is calculated as earnings before amortisation, interest, tax, operating charges relating to the defined benefit pension scheme and operating adjusting or exceptional items for the year, divided by average net assets adjusted for goodwill and intangibles, tax, net cash, retirement benefit assets/obligations and derivative financial instruments:

	2019 £m	2018 £m
Profit from operations	901.1	862.6
Cost associated with legacy properties	3.2	7.0
Defined benefit past service cost	1.7	-
Share of post-tax profit from JVs and associates including loss on disposal of joint ventures	37.5	18.0
Earnings before amortisation, interest, tax, adjusted items and defined benefit scheme charges	943.5	887.6

Five year record and alternative performance measures

continued

Definitions of alternative performance measures and reconciliation to IFRS continued

Return on Capital Employed ('ROCE') continued

	30 June 2019 £m	31 December 2018 £m	30 June 2018 £m	31 December 2017 £m	30 June 2017 £m
Group net assets per Consolidated Balance Sheet	4,869.0	4,551.7	4,597.7	4,267.7	4,322.2
Less:					
Other intangible assets per Consolidated Balance Sheet	(102.3)	(100.0)	(100.0)	(100.0)	(100.0)
Goodwill per Condensed Balance Sheet	(805.9)	(792.2)	(792.2)	(792.2)	(792.2)
Current tax liabilities	99.5	84.3	85.8	61.8	71.1
Deferred tax liabilities	17.6	21.5	25.3	20.1	8.0
Derivative financial instruments - swaps	-	-	-	-	(7.4)
Retirement benefit (assets)/obligations	(62.6)	(53.1)	(58.7)	(34.8)	(13.6)
Cash and cash equivalents	(958.3)	(579.1)	(982.4)	(378.0)	(784.4)
Loans and borrowings	200.0	200.0	191.1	212.1	73.9
Prepaid fees	(7.4)	(8.6)	-	-	-
Capital employed	3,249.6	3,324.5	2,966.6	3,256.7	2,777.6
Three point average capital employed	3,180.2		3,000.3		

Total shareholder return ('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.

Integrated reporting approach

Reporting Approach

Our Integrated Report is primarily prepared for our shareholders, however through our activities we create value for a range of other stakeholders.

Reporting Frameworks

Our integrated reporting is guided by various codes and standards outlined in the table here.

Report scope and boundary

Our integrated report covers the performance of Barratt Developments PLC for the financial year ended June 2019.

The report extends beyond financial reporting and includes non-financial performance, opportunities and risks that may have a significant influence on our ability to create value.

Integrated Reporting Framework

The primary purpose of an integrated report is to explain to providers of financial capital how an organisation creates value over time. An integrated report benefits all interested stakeholders including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers.

The IIRC's vision is to align capital allocation and corporate behaviour to wider goals of financial stability and sustainable development through the cycle of integrated reporting and thinking.

Approval by the Board of Directors

This Annual Report is an Integrated Report and has been prepared and presented in accordance with the International Integrated Reporting <IR> Framework published by the IIRC in December 2013.

The Board, which is responsible for the integrity of this report, has considered the preparation and presentation of this report and concluded that it has been prepared and presented in accordance with the Framework.

Sustainability Frameworks

Frameworks	Purpose
The International Integrated Reporting Council's Integrated Reporting Framework	Framework that is focused on articulating the value creation of an entity over time.
United Nations Sustainable Development Goals	<p>Outward-looking framework that covers the areas of the UN's 2030 Agenda focused on people, planet and prosperity.</p> <p>The 17 UN SDGs define global sustainable development priorities and aspirations for 2030 and seek to mobilise global efforts around a common set of goals and targets.</p> <p>The UN SDGs call for worldwide action among governments, business and civil society to end poverty and create a life of dignity and opportunity for all, within the boundaries of the planet. The UN SDGs were launched in 2015 by the UN.</p>
FTSE4Good	<p>Responsible investment index that scores companies based on their sustainability performance.</p> <p>We disclose information listed within the FTSE4Good criteria throughout the pages of this integrated report, in the sustainability and governance sections of our corporate website, and in our Sustainability Framework. Further information can also be found within our annual CDP Climate survey submission, and within our CDP Forests survey to be submitted for the first time in 2019.</p>
Task Force on Climate-Related Financial Disclosures ('TCFD') Recommendations	<p>Recommendations for disclosing clear, comparable and consistent information about the risks and opportunities presented by climate change.</p> <p>Our primary disclosures aligning with TCFD recommendations are made through the CDP Climate survey, which we submit on an annual basis. In 2018 the CDP Climate Survey format was aligned to TCFD recommendations. Other TCFD related disclosures can be found within the content of this integrated report, and on the sustainability section of our corporate website.</p>

Legal Requirements

Frameworks	Purpose
International Financial Reporting Standards ('IFRS')	Global framework for how companies prepare and disclose their financial statements
Companies Act 2006	Company law in the UK
UK Corporate Governance Code	The standards of good practice for listed companies on board composition and development, remuneration, shareholder relations, accountability and audit
Streamline Energy and Carbon Reporting ('SECR')	Disclosures required by the UK Government on a company's energy consumption and greenhouse gas emissions

Group Advisers and Company Information

Registrars

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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

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Financial calendar

Announcement

2019 Annual General Meeting and Trading update	16 October 2019
FY19 Final Dividend Payment	5 November 2019
2020 Interim Results Announcement	5 February 2020
Trading update	7 May 2020
FY20 Interim Dividend Payment	May 2020
Trading update	8 July 2020
2020 Annual Results Announcement	2 September 2020



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