LEADING THE FUTURE OF HOUSEBUILDING BY PUTTING CUSTOMERS AT THE HEART OF EVERYTHING WE DO

BARRATT
DEVELOPMENTS PLC

Annual Report and Accounts 2020

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

We are very proud to lead the industry in both build quality and customer service. We are building homes Britain needs, creating jobs and supporting economic growth whilst delivering for our shareholders and other stakeholders.

Read more on **our purpose, strategic priorities, principles and culture** on pages 32 to 35

Our second integrated report

We are committed to being a sustainable and responsible business. We believe that integrating this approach into every aspect of our activities enables us to deliver long term value for our stakeholders, whilst doing the right thing. This integrated Annual Report demonstrates our focus on the connection between economic, environmental, social and governance matters and how this creates and preserves value for our stakeholders.

For a detailed description of **our approach to integrated reporting**, go to the Appendix on page 241

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 79 and the Directors' Report contained on pages 80 to 155. 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 79 inclusive, and the Non-financial information statement on page 1, comprise the Strategic Report, and pages 80 to 155 inclusive comprise the Directors' Report, both of which have been drawn up and presented in accordance with, and in reliance on, 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. Nothing contained in this Annual Report or on the Group's website should be construed as a profit forecast or an invitation to deal in the securities of the Company.

Alternative performance measures

In addition to the Group using a variety of statutory performance measures it also measures performance using alternative performance measures (APMs). Definitions of the APMs and reconciliations to the equivalent statutory measures are detailed on pages 237 and 238. The definition of net cash is included in Note 5.1 of the Financial Statements.

What you will find inside

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Our business model

More information on how our business model enables us to create long term value for our stakeholders.

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Stakeholder engagement

More information on how engaging with our stakeholders helps us make better long term decisions.

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Sustainability focus areas

More information on how we are connecting social, environmental and economic value across our business.

Impact of COVID-19

Throughout the Annual Report and Accounts we have discussed how COVID-19 has impacted our business.

Non-financial information statement

The table below, and the information it refers to, is intended to help stakeholders understand our position on these key non-financial matters. We have considered these non-financial matters and disclosed in the relevant sections, when determining what information should be included in the Annual Report and Accounts, the information needs of different stakeholders and their relative importance as well as the relevant time horizons in each matter. The following aligns to the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006.

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Our policies

All of our public policies, codes and standards are available on www.barrattdevelopments.co.uk

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Our business in summary

12,604

Total home completions[1]

(2019: 17,856)

366

Average active sales outlets[2]

(2019: 379)

27

Housebuilding divisions

(2019: 27)

80,324

Owned and controlled land bank plots

(2019: 80,022)

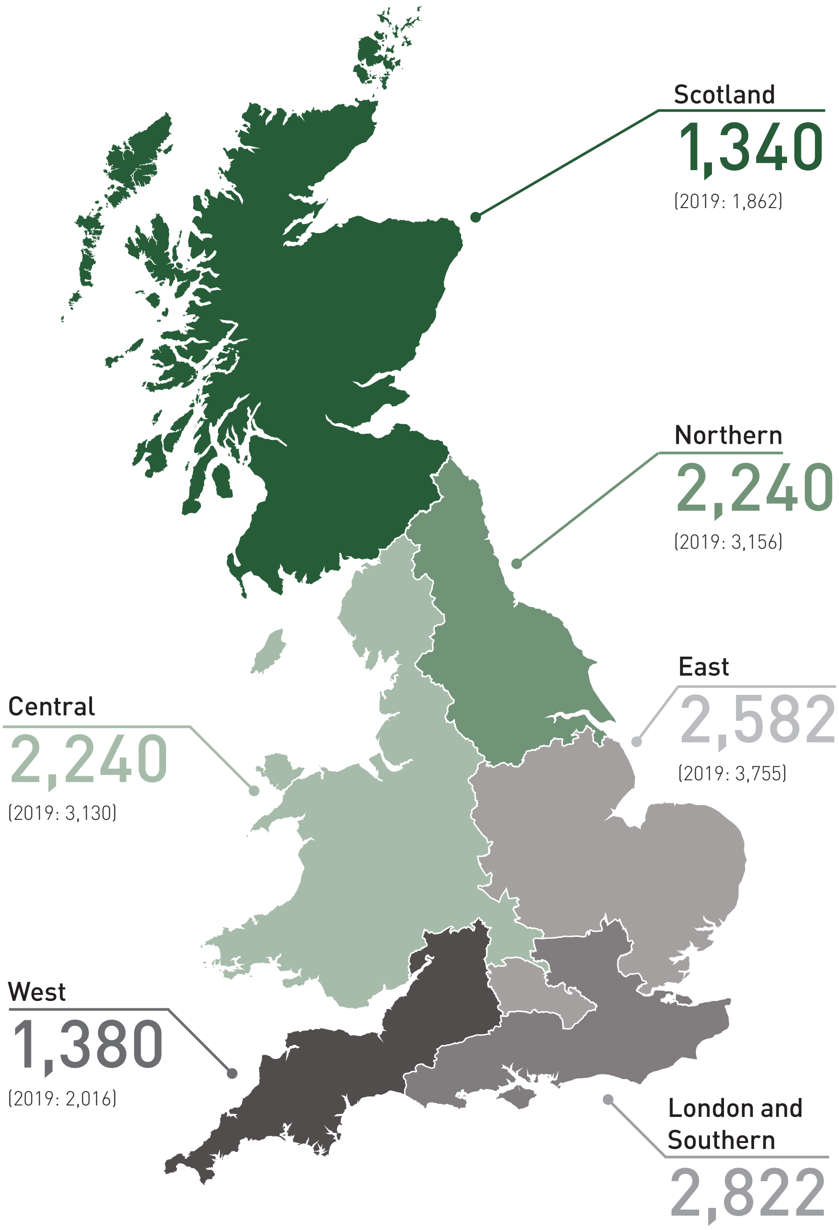
Employees[3]

6,655

(2019: 6,504)

Our home completions (including JVs)

Developing homes across Britain where people want to live



Our brands

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

1 Total home completions, including JVs, were 12,604 (2019: 17,856) for the year. Private home completions were 9,568 (2019: 13,533). Affordable home completions were 2,466 (2019: 3,578) and JV home completions in which the Group has an interest were 570 (2019: 745).

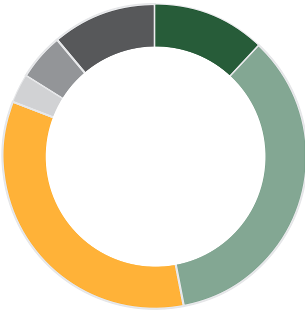
2 Including JVs.

3 Employee numbers, excluding sub-contractors, taken at 30 June.

Our homes

We are committed to building high quality homes and have been awarded 92 NHBC Pride in the Job Awards on our sites in 2020, more than any other housebuilder for 16 consecutive years.

Completions by unit type

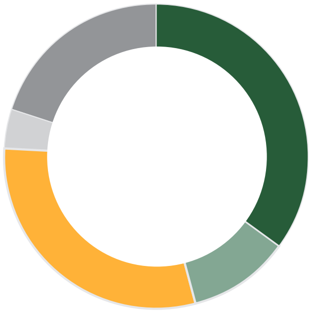


	2020	2019
1 and 2 bedroom homes	**12%**	13%
3 bedroom homes	**35%**	35%
4 bedroom homes	**34%**	30%
5 and 6 bedroom homes	**3%**	4%
Flats London	**5%**	5%
Flats non-London	**11%**	13%

Our customers

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

Completions by deal type



	2020	2019
Help to Buy	**35%**	36%
Part-exchange	**11%**	11%
Other private	**30%**	27%
Investor	**4%**	5%
Affordable	**20%**	21%

Investment proposition

We have clear differentiators that underpin our investment proposition:

- We operate a fast build and sell model and are proud to lead the industry in both build quality and customer service. Over the medium term, we aim to 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 a clear focus on cash generation.
- We have a strong and experienced workforce who deliver quality homes.
- Quality and customer service are fundamental to our business operations. We are the only major housebuilder to be awarded a HBF 5 Star rating for customer satisfaction for 11 consecutive years.
- We operate across Britain diversifying our business, managing risk.
- We aim to be the leading national sustainable housebuilder with ambitious targets set around safeguarding the environment, leading construction and investing in our people.

These differentiators drive delivery for our shareholders and our wider stakeholders.

Following the significant disruption to our business created by COVID-19, our focus is to rebuild completion volumes towards our medium term target of 20,000 wholly owned completions. This, combined with disciplined land acquisition and optimising our performance across build and sales will drive margin improvement and, over the medium term, a minimum 25% ROCE.

Shorter owned land bank

Strong balance sheet and cash generation

Highly experienced build and sales teams

Quality and service

Nationally diversified

Leading sustainability

Rebuilding volumes
Disciplined growth in wholly owned completions towards 20,000 over the medium term

Delivering margin improvement
Land acquisition at a minimum 23% gross margin and optimising performance

Attractive returns
2.5 times dividend cover

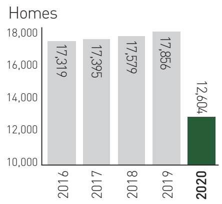
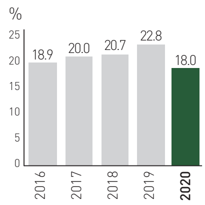
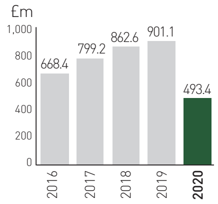
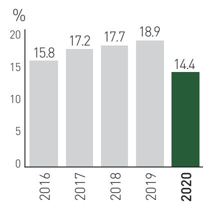
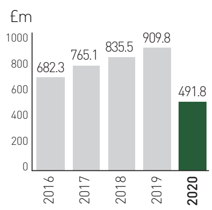
Rebuilding to achieve a targeted minimum ROCE of 25%

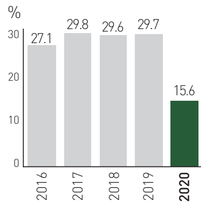
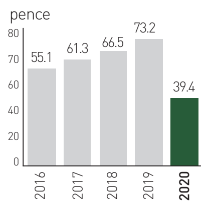
Key performance indicators

We had a strong first half performance and started our second half well. COVID-19, however, has had a significant impact on our KPIs and operating framework for the year ended 30 June 2020.

Operational targets

Financial

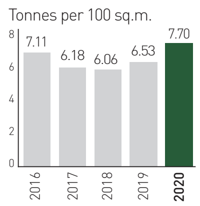
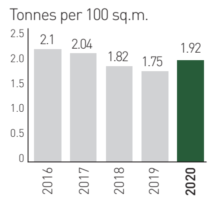
	Measure	Target	Status	Progress	Definition	Why we measure	Further information
Growing volumes	Total home completions	3–5% growth per annum in wholly owned home completions over the medium term Present business capacity of 20,000 per annum	29.7% decline in wholly owned completions to 12,034 with total home completions at 12,604		Total home completions are legally completed homes during the year including 100% of JV homes legally completed in which the Group has an interest	Reflects activity and growth. Method by which business capacity is monitored	See pages 12 to 19
Delivering margin improvement	Gross margin (%)	New land acquisitions at minimum 23% gross margin	Adjusted gross margin of 18.5% (2019: 22.8%). Gross margin of 18.0% (2019: 22.8%)		Gross profit divided by total revenue, expressed as a percentage	Key internal metric for assessing site profitability. Enables consistent comparison of land acquisitions	See pages 20 to 27
	Operating profit (£m)	Driving further improvements	Adjusted profit from operations of £507.3m (2019: £904.3m). Operating profit of £493.4m (2019: £901.1m)		Profit from operations	Demonstrates profitability before finance costs, share of profits from JVs and associates and tax. Assesses the efficiency of our operations	See pages 20 to 27
	Operating margin (%)	Driving further improvements	Adjusted operating margin of 14.8% (2019: 19.0%). Operating margin of 14.4% (2019: 18.9%)		Profit from operations divided by total revenue, expressed as a percentage	Demonstrates profitability before finance costs, share of profits from JVs and associates and tax. Assesses the efficiency of our operations	See pages 20 to 27
	Profit before tax	In line with consensus at the start of the financial year	Consensus profit before tax at the start of the year was £898m. Profit before tax for FY20 of £491.8m		The Group's profit before tax including its share of profits from JVs and associates	Shows the profitability of the Group relative to market expectations. Key metric for assessing performance for Executive Directors' remuneration	See pages 20 to 27

	Measure	Target	Status	Progress	Definition	Why we measure	Further information
Delivering ROCE	ROCE (%)	Minimum 25%	ROCE of 15.6% for 12 months to 30 June 2020 (2019: 29.7% for the 12 months to 30 June 2019)		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. Key metric for assessing performance for Executive Directors' remuneration	See pages 20 to 27
Attractive cash returns	Earnings per share (pence)	In line with consensus at the start of the financial year	Consensus earnings per share at the start of the year was 72.7p. Earnings per share for FY20 of 39.4p		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	See pages 20 to 27
	Total shareholder return	TSR FTSE (50+/50-) Threshold -12.2% Maximum 25.8% TSR Housebuilders Threshold 4.8% Maximum 30.8%	19.35% of a potential 40% of the 2017/18 LTPP award vesting	**6.1%** for the three years ended 30 June 2020 (2019: 36.8% for the three years ended 30 June 2019)	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	See page 145

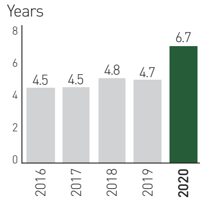
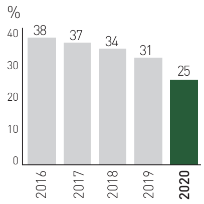
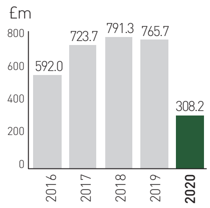
Key performance indicators CONTINUED

Operational targets

Non-financial

Measure	Target	Status	Definition	Why we measure	Further information
Health and safety (SHE audit compliance)	94%	**96%** (2019: 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. Key metric for assessing performance for Executive Directors' remuneration	See pages 62 and 63
Land approvals (plots)	18,000–22,000 plots approved for purchase	**9,441** (2019: 18,448)	The number of plots approved for purchase	Monitors whether the Group is approving enough land for purchase to support future business activity. Ensures land is approved at minimum hurdle rates	See pages 52 and 53
Customer service	HBF 5 Star customer satisfaction	5 STAR HOME BUILDER CUSTOMER SATISFACTION HBF	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. Key metric for assessing performance for Executive Directors' remuneration	See pages 50 and 51
Employee engagement score	Upper quartile engagement	**84.2%** (2019: 84.5%)	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	See pages 58 to 61
Waste intensity	Reduce construction waste intensity (tonnes per 100 sq.m. of legally completed build area) to 5.67 by 2025		Tonnes of waste generated from above ground construction 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	See pages 54 to 57
Carbon intensity	Reduce greenhouse gas intensity per 100 sq.m. of legally completed build area for scope 1 and 2 greenhouse gas emissions. We have set a target to reduce absolute scope 1 and 2 greenhouse gas emissions by 29% by 2025 from 2018 levels		Tonnes of greenhouse gas emissions associated with our scope 1 and 2 emissions, which includes energy and fuel use on our sites and in our offices, for every 100 sq.m. of legally completed build area	Environmental impact of our business activities.	See pages 68 to 70

Operating framework

	Measure	Target	Progress	Definition	Why we measure	Further information
Land bank	Owned and controlled land bank (years)	c. 3.5 years owned / c. 1.0 year controlled		The number of years supply of owned and controlled land. Land bank years are calculated as the number of plots in our land bank divided by the last 12 months of home completions	Drives the ownership of the optimum amount of land to support business activities. Key metric for assessing performance for Executive Directors' remuneration	See pages 20 to 27
Land creditors	Land creditors as a percentage of owned land bank	Reduce usage to 15–25% of the land bank over medium term		Calculated as land creditors as a percentage of owned land bank	Shows the indebtedness related to the owned land bank	See pages 20 to 27
Net cash	To be cash positive, on average, throughout the financial year	Modest average net cash over the financial year	Average net cash of £348.3m (2019: £298.3m)	Calculated as the sum of the daily borrowings, deposits and current account balances divided by the number of days in the financial year	Shows the Group's liquidity. Helps assess our ability to fund our ongoing operational commitments	See pages 20 to 27
	Year end net cash	Year end net cash		Calculated as cash and cash equivalents, less total borrowings being total drawn debt, plus prepaid fees	Shows the Group's liquidity. Helps assess our ability to fund our ongoing operational commitments	See pages 20 to 27
Total indebtedness	The total of net cash/(debt) and land creditors	Minimal year end total indebtedness in the medium term	2020: total indebtedness of £483.7m (2019: total indebtedness of £195.0m)	Calculated as net cash/(debt) less land creditors at the year end	Shows the Group's liquidity. Helps assess our ability to fund our ongoing operational commitments	See pages 20 to 27
Treasury	Level and duration of committed financing facilities	Appropriate financing facilities	£700.0m RCF expiring in 2024 £200.0m USPP notes expiring in 2027	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	See pages 20 to 27
Dividend policy	Ordinary dividend is 2.5 times cover	2.5x dividend cover (at the appropriate time)	No dividend payments proposed in respect of FY20 (2019: 46.4p representing 2.5x cover and special return)	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.	Shows the income a shareholder receives in relation to the Group's profit or loss	See pages 20 to 27

Chairman's statement

Before the COVID-19 pandemic, we were delivering strong progress against our medium term targets. The onset of COVID-19 and the subsequent lockdown has caused significant disruption to our business and had a substantial impact on our financial performance. Nevertheless, our business has demonstrated its resilience and operational strength delivering 12,604 high quality new homes (including JVs) across Britain in FY20 (FY19: 17,856 homes).

"Our Senior Management team has shown tireless commitment towards addressing all of the challenges relating to COVID-19 and to the way in which they led the business through this difficult period. It is a testament to their leadership and resilience that the business has emerged in good shape."

John Allan
Chairman

For more information, go to the **Corporate Governance Report** on pages 86 to 99

Handling the COVID-19 crisis

The health and safety of all individuals who work for or with us is of fundamental importance to the Board. Prior to the Prime Minister's lockdown announcement on 23 March 2020 to try to control the spread of COVID-19, the Board, together with the Senior Management team, acted quickly and decisively to commence the temporary closure of all of our construction sites, sales centres and offices. This was completed by 27 March 2020. Throughout the lockdown period, the Board worked closely with the Senior Management team and held a number of additional virtual Board meetings to ensure that key decisions such as those relating to furloughing, payment of dividends, workforce remuneration and our liquidity were made in a timely manner. Further details of the decisions made to manage the Group's cost base and cash flows and ensure resilience can be found on page 12.

As the lockdown restrictions eased, the Board monitored the phased reopening of our construction sites in England and Wales from 11 May 2020 and in Scotland from 1 June 2020. By 30 June 2020, all of our construction sites were operational and our employees, other than those shielding, had returned to work.

To safeguard the jobs of the c. 85% of employees that we furloughed, we initially participated in the Government's CJRS. However, given that our financial position has remained resilient, the Board made the decision in July 2020 to return the CJRS funds received of £26.0m.

I would like to take this opportunity to thank the Senior Management team for their tireless commitment to address all of the challenges relating to COVID-19 and the way in which they led the business through this difficult period. It is a testament to their leadership and resilience that our business has emerged in good shape.

Our employees

It is our employees that deliver our success, and our performance is due to the dedication and ability of our skilled and experienced team. I am especially proud of the way in which our entire workforce adapted to changes in working arrangements as we temporarily closed our construction sites, sales centres and offices, through the lockdown period and their subsequent reopening. All of our employees have risen to the challenges brought by COVID-19 and pulled together to get our business back up and running. I would like to take this opportunity to thank them for the support and commitment that they have shown to our business.

The views of our employees are important to the Board and they are at the heart of our operations. Our Workforce Forum has played a vital role in our engagement with our employees during FY20, and continues to inform our actions and decisions. David Thomas, our Chief Executive, sent out weekly updates throughout the lockdown period to all employees to keep them informed on matters such as the reopening of construction sites, sales centres and offices, pay, holiday policy, and health and wellbeing. In addition, our intranet was regularly updated with information on corporate and government policy, and a dedicated COVID-19 email address was established to enable employees (including those on furlough) to ask questions or send in comments or suggestions relating to the impact of COVID-19 on our business. We also undertook a pulse survey following the return to work by all employees, other than those shielding, which showed that employees were very positive about the way in which management had dealt with COVID-19 related matters, particularly in respect of pay and communication.

Safety, Health and Environment

Our SHE team played a vital role throughout the whole lockdown period. They ensured the safe temporary closure of our construction sites, sales centres and offices, and continued to regularly check that our closed construction sites remained safe throughout lockdown. They were also instrumental in the reopening of our construction sites, helping us establish and implement extensive COVID-19 working practices and protocols to enable those returning to site to do so safely and in compliance with the Government's social distancing measures. Further details can be found on page 62.

Sustainability

We believe that at the core of quality housebuilding is a commitment to create a positive environmental, social and economic legacy for future generations. This is embedded in our business through our purpose to lead the future of housebuilding by putting our customers at the heart of everything we do.

By doing business sustainably we create value for our stakeholders.

Good governance of these activities and connecting social, environmental and economic value across our business leads to better long term decisions. Consequently, in January 2020, we published our science-based targets to show our commitment to reducing carbon emissions, both our direct emissions (scope 1 and 2 by 29% from 2018 levels by 2025) and indirect emissions (scope 3 by 11% from 2018 levels by 2030). We also commenced work during FY20 on our programme to achieve compliance with the recommendations of the TCFD.

I am also pleased to report that we performed well in the key indices FTSE4Good, NextGeneration and in CDP surveys.

To further strengthen the capability of our Group Sustainability team we appointed an experienced Group Sustainability Director who is working with the Executive Committee to determine how we can enhance, both operationally and through increased reporting, our position as the country's leading sustainable national housebuilder. Engagement with our stakeholders will play a key role in the development of our strategy in this area.

Quality and service

In FY20 we continued to demonstrate our industry leading credentials for quality and service. Through our Leading construction priority, we are committed to excellence in all aspects of our construction operations, and to building the highest quality homes. We achieved a 5 Star rating in the HBF customer satisfaction survey for the 11th 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.

↓ David Wilson Homes at Grange View, Hugglescote, Leicestershire.

Chairman's statement CONTINUED

↑ Enhanced COVID-19 working practices and protocols are in place across all of our construction sites.

> "All of our employees have risen to the challenges brought by COVID-19 and pulled together to get our business back up and running"
>
> **John Allan**
> Chairman

In addition, our site managers achieved 92 NHBC Pride in the Job Awards for excellence in site management this year, more than any other housebuilder for the 16th year in a row, and our highest number of awards for seven years.

Winning these awards underlines the high standard of work that our site managers and their teams deliver on a daily basis. It also highlights our high standards and quality to our customers.

Political and economic environment

COVID-19 and the global response to it has damaged the UK economy, and it is likely that there will be an increase in unemployment in the coming months as businesses continue to be impacted. The full extent of the economic impact being caused by COVID-19 is yet to become fully clear, and there remains uncertainty regarding the outcome of the ongoing negotiations regarding the UK leaving the EU.

However, the underlying drivers of the UK housing market remain strong. 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 there remains a good level of underlying demand. The industry has seen encouraging levels of interest and sales as lockdown was eased and sales centres reopened, and we believe that the long term impact of the pandemic on people's choices and priorities will be an increase in demand for the high quality homes that we provide as consumers look for more space both indoors and outdoors.

The Government recognises the importance of housebuilding in achieving their 'levelling up' agenda. The Stamp Duty holiday is an important intervention that will save many of our customers thousands of pounds which they can put towards the deposit for their new home. The proposed reforms to the planning system demonstrate a commitment to speeding up the planning process, offering transparency and certainty to local communities and ensuring we can build the homes the country needs. We also need the planning system to ensure that quality, design and sustainability are at the heart of new development. We hope the forthcoming Future Homes Standard will give the industry the certainty required to invest in building the low carbon homes needed to combat climate change.

Low interest rates continue to keep mortgages at historically affordable levels. However, there has been a reduction in the high LTV lending that many people require to get onto the housing ladder. This has arisen post COVID-19 and reflects a response to a perceived increase in risk and high levels of demand. The restriction and removal of Help to Buy will exacerbate this. It is important that lenders and the Government consider what further options are available to help potential first time buyers who want to purchase their own home.

Culture

In order to remain successful, it is important that we create and embed a positive culture throughout our business. The Board is mindful of the need to set the tone from the top. A review of the culture of our business was undertaken during FY20. Our business has a strong culture of 'doing the right thing' and taking pride in the work that we do whilst remaining focused on the needs of our customers and other stakeholders. We will continue to develop the culture of our business and make further improvements where there is scope to do so. Details of the work that we have undertaken on culture and how we will look to monitor and measure culture going forward can be found on pages 92 to 95.

The New Code

Last year I highlighted that we had early adopted a number of provisions of the New Code and Guidance on Board Effectiveness issued by the FRC in July 2018. These related to Section 172 of the Act: Duty to promote the long term success of the Company (page 38); Stakeholder engagement (pages 39 to 49); Chief Executive pay ratio (page 150); malus and clawback (page 132) and pension contributions (page 124). This year we have further developed these disclosures in light of evolving best practice and guidance from our advisers.

I am pleased to confirm that we have fully complied with all of the provisions of the New Code. The requirements of the Code are described throughout the Governance Report on pages 80 to 155, together with explanations as to how we have complied with these requirements and the various provisions.

Board appointments, succession and evaluation

The Nomination Committee continues to oversee Board appointments and succession of Board members, and assesses the composition of the Board and its Committees annually. No new appointments were made to the Board or any of the Committees during the year.

The Board effectiveness review, which was this year facilitated internally with support from Lintstock (see page 107 for more details), confirmed that the Board currently comprises the appropriate skills and experience to drive our strategy forward. We will continue to assess the composition of the Board and focus on identifying any skills, knowledge or experience that will further strengthen the Board's capabilities.

Dividend

Going forward, the Board believes that it is in the best interests of shareholders to have a long term predictable dividend income stream and this is best achieved through an ordinary dividend policy with a defined level of ordinary dividend cover. In addition, it believes that the Company should continue to maintain its disciplined approach both growing completion volumes and investing in attractive land opportunities that meet our hurdle rates whilst reducing gearing. When the Board believes the time is right it will implement a dividend policy based on a dividend cover of 2.5 times.

The Board has previously announced that given the uncertainties caused by the impact of COVID-19, the interim dividend of 9.8 pence per share, equating to c. £100m, would be cancelled, and that it would not propose an ordinary dividend in respect of FY20 or the intended special dividend of £175m in respect of FY20.

The Board continues to recognise the importance of dividends to all its shareholders. The Board however, also feels that given the unprecedented impact of COVID-19 and the importance of a resilient balance sheet, it will no longer propose the FY21 special dividend of £175m which would have been payable in November 2021.

AGM

Our 2020 AGM will be held on Wednesday 14 October 2020. We are closely monitoring the ongoing impact of COVID-19, and developments in UK regulation in relation to how AGMs may be held during this period. Further details about the AGM will be provided in the Notice of AGM.

Looking forward

We 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.

The last few months of FY20 were unprecedented but our employees have shown great strength and commitment to getting our business restarted. We start FY21 with a continued focus on our operational and financial performance including our medium term targets.

On behalf of the Board, I thank you for the confidence that you have shown in the business during FY20, especially throughout the lockdown period and for your continued support.

John Allan
Chairman

1 September 2020

5 Star

HBF customer satisfaction survey for the 11th year in a row

(2019: 5 Star)

Chief Executive's statement

"We have delivered a resilient operational and financial performance this year against the unprecedented impact of the COVID-19 pandemic, and the resulting lockdown, on our operations. We enter FY21 focused on rebuilding both our completion volumes and our financial performance towards our unchanged medium term targets."

David Thomas
Chief Executive

We acted quickly at the outset of the pandemic and, in line with our commitment to health and safety, took the decision to temporarily close all of our construction sites, sales centres and offices by 27 March 2020.

In response to COVID-19, the Board also implemented immediate measures to manage the Group's cost base and cash flows to ensure resilience, including:

- Suspending all land buying activity;
- Ceasing all recruitment activity;
- Postponing non-essential capital expenditure;
- Actively managing cash flows while ensuring that we continued to pay our suppliers and sub-contractors on time;
- Cancelling the interim dividend, which was due to be paid on 11 May 2020;
- Furloughing a proportion of our employees at their normal pay; and
- A voluntary 20% reduction in base salary and fees for the Board, the wider Executive and the Regional Managing Director team for the period our sites were closed. In addition, they also agreed to waive any salary or fee increase for FY21.

In addition, in May 2020, the Remuneration Committee agreed with the recommendation of the Executive Directors that there would be no payments to any Director or employee under the FY20 annual bonus scheme.

Following our establishment of extensive COVID-19 working practices and protocols, we gradually restarted our site operations from 11 May 2020 in England and Wales and from 1 June 2020 in Scotland. As a result, all of our construction sites were operational at the end of the financial year and our employees, other than those shielding, had returned to the business.

Through the temporary closure of the business, where around 85% of our employees were placed on furlough, we used the Government's CJRS. Our employees, other than those shielding, had returned from furlough by 1 July 2020. We are grateful for the support that the Government provided to UK businesses through the CJRS, which allowed us to safeguard the jobs of our c. 6,700 employees during the height of the pandemic. Our financial position remained resilient through year end and accordingly, in early July, the Board decided to repay all furlough funds received.

We have delivered a resilient operational and financial performance this year against the unprecedented impact of the COVID-19 pandemic, and the resulting lockdown on our operations. Prior to the pandemic we were delivering strong progress against our medium term targets, with an operating margin of 18.9% in 2019 (2018: 17.7%) and a ROCE for the 12 months to 31 December 2019 of 29.3% (2018: 29.5%). However, the lockdown period had a significant impact on our financial performance this year. Our business model is resilient, with both operational and financial strength, and we remain dedicated to the delivery of the high quality homes the country needs.

Housing market fundamentals

The Government has a target of 300,000 homes to be built per year by the mid-2020s to meet existing demand. Updates to the NPPF, to ensure that local authorities plan positively for housing and are accountable for under-delivery, provide further support to housing growth. We welcome too the latest White Paper on planning reform and we will play an active part in the consultation process over the coming months.

The lending environment, positive up until the pandemic, has become less certain. Whilst mortgage rates remain attractive, reflecting greater competition in the mortgage market and a broad spread of lenders supporting homebuyers, there has been a material change in LTV lending criteria.

Prior to the pandemic the availability of both 95% LTV lending and the Government's Help to Buy scheme provided invaluable help for those seeking to get onto the housing ladder. Today there are no mainstream mortgage lenders providing mortgages at 95% LTV for new build homebuyers, increasing the current reliance of purchasers on Help to Buy.

The Government has confirmed that Help to Buy will only continue in its current form until March 2021. Thereafter a new scheme will be in place for two further years, limited to first time buyers with regional price caps. We have been planning for the changes to the Help to Buy scheme in our land acquisition since the new scheme was announced.

Up to March 2020, 272,852 homes had been bought using the scheme, 82% of these by first time buyers, (source: MHCLG, Help to Buy (equity loan scheme) statistics: April 2013 to March 2020). Although Help to Buy continues for first time buyers through to 31 March 2023, the regional price caps will prove restrictive for many, particularly those looking to purchase new homes in parts of the North and the Midlands where the price caps create significant limitations on the choice of new housing available within the new scheme. During FY20, 46% of our purchasers who used Help to Buy would not qualify for the new Help to Buy scheme, but they would qualify for other mortgage products or be able to use our part-exchange schemes.

Performance overview

Our purpose is to lead the future of housebuilding by putting customers at the heart of everything we do. We are very proud to lead the industry in both build quality and customer service. We are committed to playing our part in addressing the housing shortage and helping to rebuild Britain's economic activity after the disruption created by COVID-19.

Prior to the lockdown, we were delivering strong progress against our medium term targets including increasing completion volumes while maintaining our industry leading quality and service. As at 22 March 2020, we had delivered 10,364 total home completions including 484 joint venture completions, up 9.8% on the prior year equivalent period (2019: 9,437 homes). The lockdown halted construction activity and meant the closure of our sales centres until 21 May 2020 in England, 11 June 2020 in Scotland and 25 June 2020 in Wales. As a result, wholly owned completions declined 29.7% to 12,034 homes in the year ended 30 June 2020 (2019: 17,111 homes). In addition, we delivered 570 homes through our joint ventures in the year (2019: 745 homes). Total home completions including JVs for the year were therefore 12,604 homes (2019: 17,856 homes).

The significant progress on our gross margin targets and resulting profitability, as demonstrated by our half year results, was, understandably, severely impacted by the COVID-19 pandemic. At the half year, we had delivered a profit from operations of £421.7m (H1 FY19: £409.7m) and a profit before tax of £423.0m (H1 FY19: £408.0m).

As well as causing the significant reduction in completion volumes with the associated impact on our profitability this year, COVID-19 has resulted in significant additional costs. During the lockdown period and in preparation for site recommencement we incurred £45.2m of safety costs, non-productive site costs and site-based employee costs and £29.1m related to the expected increase in site durations due to COVID-19. After charging this £74.3m, we made an adjusted profit from operations of £507.3m (2019: £904.3m) at an adjusted operating margin of 14.8% (2019: 19.0%).

In total, we incurred net adjusted items of £13.9m comprising £26.0m of CJRS grant income, which we have repaid since the year end, offset by, as previously announced, £39.9m of costs associated with legacy properties, including Citiscape and the associated review, and developments

12,604

Total home completions

(2019: 17,856)

↓ David Thomas, Chief Executive, visited Filwood Park where he met Hilary Jones, a volunteer at Victoria Park Baptist Church Foodbank, following our £1,000 Community Fund donation. Pictured with Russell Glimstead, Managing Director, Barratt Bristol.

Chief Executive's statement CONTINUED

6.1%

Total shareholder return for the three years ended 30 June 2020

(2019: 36.8% for the three years ended 30 June 2019)

92

NHBC Pride in the Jobs Awards

(2019: 84)

where cladding has needed to be removed and replaced. After these adjusted items we delivered a profit from operations for the year of £493.4m (2019: £901.1m) at an operating margin of 14.4% (2019: 18.9%).

As a result, we experienced a decline in profit before tax for the year to £491.8m (2019: £909.8m).

The closure of all of our construction sites by 27 March 2020 came at our peak point for work in progress. Prior to the pandemic we had been expecting to achieve completions ahead of the 17,856 homes we achieved last year, and had been investing in work in progress to deliver a substantial number of homes in our fourth quarter. As a result of this and the decrease in our profit for the year, our ROCE, which had grown from 23.9% in FY15 to 29.7% in FY19, reduced to 15.6% in FY20.

Our balance sheet remains strong, with year end net cash of £308.2m (2019: £765.7m), land creditors of £791.9m (2019: £960.7m) and therefore a modest total gearing (including land creditors) of 12.3% (2019: 4.9%). At 30 June 2020 our net tangible assets were £3,933.3m (2019: £3,960.8m).

Throughout the year we have maintained a disciplined approach across our operations and this combined with our strong balance sheet will enable us to keep investing in our business as market conditions become clearer.

The health and safety of our employees, sub-contractors and customers remains a fundamental priority. We have continued to rebuild productivity levels and have seen our production levels continue to improve, benefiting from the return of additional sub-contractors, extended operating hours on many of our sites and with delayed new sites commencing construction. As we continue to build our capacity this will provide the foundation for increasing volumes following the COVID-19 disruption, whilst maintaining our industry leading quality.

Whilst land buying was temporarily suspended, we remained active in the land market, negotiating attractive fully conditional options. We have now re-entered the market selectively, maintaining our disciplined approach, where we see attractive opportunities.

Our operating framework and appropriate capital structure have served us well over the last three years. The resilience they have created was demonstrated in FY20 given the unprecedented impact of COVID-19. Reflecting the changed economic and trading backdrop we have adjusted our operating framework to reflect our dividend policy, include a new target range for land creditor usage and introduced a target for minimal total indebtedness in the medium term.

We enter FY21 focused on rebuilding both our completion volumes and our financial performance towards our unchanged medium term targets.

	FY20	Areas of focus for FY21	Medium term targets
Wholly owned completions	12,034 homes	• Driving site based construction activity • Maximising sales for customers who will not qualify under the new Help to Buy scheme • Wholly owned home completion growth to 14,500 - 15,000 homes in FY21	Disciplined growth in wholly owned home completions
Gross margin	18.0%	• Rebuilding site based construction activity to improve fixed cost recovery • Controlling materials and labour cost inflation	Land acquisition at a minimum 23% gross margin and optimising performance
ROCE	15.6%	• Tight control of working capital with build release aligned with home completion cash generation • Focus on cash with selective land spend beyond land creditor settlements	Minimum of 25% delivered through improving margin and return to operating framework

Sustainability

We are committed to creating a positive environmental, social and economic legacy for future generations. This goes to the core of quality housebuilding – creating high quality homes and communities in great places, and ensuring we provide a positive legacy that helps local communities thrive. Providing confidence to our customers that their homes are designed and built to meet the challenges of the future is vital, and underpins our business.

The protection and enhancement of the resources on which our business relies, our people, the communities in which we operate, our partners and the planet require that we do business sustainably and create value for our stakeholders. Good governance of these activities and connecting social, environmental and economic value across our business leads to better long term decisions.

From keeping people safe and healthy to ensuring sustainable and responsible sourcing, our Sustainability Framework 2020+ ensures we continually progress the sustainability focus areas that matter most to our stakeholders. Each of these areas has set targets and KPIs, with a member of the Board accountable for specific actions to ensure delivery.

We have also put in place new sector leading targets:

- Earlier this year we became the first national housebuilder to publish science-based targets for reducing carbon emissions, and the new net zero goal extends this sustainability roadmap further;
- Commitment to purchase 100% of our operational electricity from renewable sources by 2025;
- Committed to delivering low carbon homes for customers, we set a target to ensure new standard housetypes will be net zero carbon in use from 2030; and
- By 2040 we will become a net zero greenhouse gas emissions business across all of our direct operations.

Sustainability is embedded in our business through our purpose to lead the future of housebuilding by putting our customers at the heart of everything we do. This is delivered through our strategic priorities of customer first, great places, leading construction and investing in our people, and our principles of keeping people safe, being a trusted partner, building strong community relationships, safeguarding the environment and ensuring the financial health of our business.

Customer first: Leadership in quality and service

We have a long term commitment to quality and customer service and we believe our industry leadership in these areas is fundamental to maintaining the strength and resilience of our business. This enduring commitment to quality and customer service has been evidenced through external benchmarking. We are the only major housebuilder to be awarded the maximum 5 Star rating by our customers in the HBF customer satisfaction survey for 11 years in a row and our customer satisfaction rating is consistently above 90%.

↑ Barratt Homes at The Spires, St Ives, Cambridgeshire.

Chief Executive's statement CONTINUED

Great places: We remain committed to building more high quality homes

We remain committed to playing our part in addressing the housing shortage. We design attractive developments that meet our high quality standards and through effective place making, will enhance local communities for years to come. 93 of our sites received Built for Life accreditations, 23 of which were rated outstanding.

Leading construction: Construction excellence and modern methods of construction

We seek to achieve excellence across all aspects of construction. Our people take pride in what they do and this helps us put customers first by delivering industry leading quality homes. This commitment has once again been recognised through the NHBC Pride in the Job Awards where in June 2020 our site managers were awarded 92 awards, more than any other housebuilder for the 16th consecutive year.

We are also 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. In 2020 we constructed 2,652 homes (21% of our home completions) using MMC including timber frame, large format block and offsite manufactured ground floor solutions and roof cassettes. Our target is to use MMC in the construction of 25% of our homes by 2025.

Timber frame construction is a sustainable, low energy method of build and is assembled in factories to high standards. Over the last three years, we have built 6,035 homes using timber frame, the majority in Scotland. We are also increasing its use across England and Wales. Last year, we acquired Oregon, a UK manufacturer of timber frames. Oregon, which was already one of our key timber frame suppliers providing high quality products and excellent customer service, has continued to expand and has opened an additional factory as we look to expand further our use of timber frame.

Investing in our people

Our employees have reacted in a resilient and adaptable way during the challenges posed by COVID-19, both those who worked hard to get us ready to restart on site, and those who were not able to work during the period of temporary closure, many of whom were inspirational as volunteers in their local communities. I would like to take this opportunity to thank them for the support and commitment that they have shown to our business. We were pleased to be able to support all of our employees throughout our period of hibernation on their normal pay.

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.

We are investing for the future and continue to develop award winning schemes including those for graduates, apprentices and former Armed Forces personnel, alongside our own Degree Apprenticeship in Residential Development and Construction run in conjunction with Sheffield Hallam University.

We also continue to collaborate with the wider housebuilding industry. We actively participate in the Home Building Skills Partnership, which aims to attract new entrants to the industry, provide the skills for today and the future, and support the supply chain in developing the skills they need to support our industry.

We seek to create a great place to work founded on an open and honest culture. We engage with our employees on a regular basis so we can understand their issues and concerns and address them. We carry out an annual engagement survey, further surveys throughout the year and consult with our Workforce Forum. The feedback received is used to drive continual improvements. Employee engagement remains a key measure of our success and we are pleased to have maintained UK upper quartile performance in our engagement survey for the seventh consecutive year.

We value everyone for who they are and the unique contribution they bring. We seek to represent the communities in which we operate and we know that a diverse team means a stronger business, is better for our customers and makes us a more attractive employer. Through our Diversity and Inclusion strategy we remain committed to creating an inclusive environment for everyone. We have identified targets for gender and ethnicity representation, our leaders have completed Diversity and Inclusion training and all of our employees complete mandatory diversity e-learning as part of their induction. We have expanded our career development program for female leaders and are committed to supporting underrepresented groups, to ensure everyone reaches their potential.

We are now an accredited Living Wage Employer, making us one of the first major housebuilders to receive the accreditation. The real Living Wage is different to the Government's National Minimum and Living Wage, as it is an independently calculated higher hourly rate of pay that is based on the actual cost of living. Receiving this accreditation demonstrates our commitment to our employees as well as our suppliers and sub-contractors.

Keeping people safe

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.

Prior to COVID-19, increased activity levels across the industry in terms of site openings and production volumes combined with shortages of skilled employees and sub-contractors to contribute to an increased risk of accidents on sites.

Following the outbreak of COVID-19 the risk profile of our sites was fundamentally reassessed, particularly around the demands for social distancing. Our sites are operating safely with COVID-19 working practices and protocols that have been established in line with the latest guidance from Government, Public Health Authorities and the Construction

← Steven Luemba who purchased a Barratt London apartment at New Mill Quarter, Hackbridge Road, Wallington, London.

"We are committed to creating a positive environmental, social and economic legacy for future generations. This goes to the core of quality housebuilding – creating high quality homes and communities in great places, and ensuring we provide a positive legacy that helps local communities thrive."

David Thomas
Chief Executive

Leadership Council. This includes changes to signage, site welfare facilities and compounds, site access and walkways. We have also enhanced our induction, training and support for our employees and sub-contractors in response to COVID-19. We have received an Assurance Statement from the British Safety Council certifying that our COVID-19 workplace safety, health and environmental arrangements are in accordance with current guidance and best practice, demonstrating our commitment to providing a safe and healthy workplace.

We have stringent standards and a continuous focus on health and safety throughout our business. In line with the industry we are seeing pressures in this area but we continue to seek to reduce the number of injuries occurring. We are committed to improving our processes and procedures and challenging unsafe behaviours. We also continue to focus on ensuring workers do not suffer long term issues associated with their work activities and are looking at ways we can further improve standards. In the year ended 30 June 2020, our reportable injury incidence rate was 256 (2019: 297) per 100,000 workers and our Health and Safety SHE audit compliance rate was 96% (2019: 96%).

Safeguarding the environment

Reducing carbon emissions

We recognise the contribution we can make to the UK's reduction of carbon emissions and in May 2019 we signed a letter alongside 127 other businesses, investors and business networks calling for the Government to accept the Committee on Climate Change's proposed target and make Britain net zero carbon by 2050.

In January 2020 the Board approved our own new challenging science-based carbon reduction targets. In our own operations we will aim to reduce carbon emissions by 29% from FY18 to FY25, through measures like reducing diesel used by generators on site, amending our vehicle policies and implementing energy efficiency opportunities across our offices, sites, sales centres and show homes. During the year our carbon intensity measure increased by 9.7% mainly as a result of delays between our construction activities and home completions.

In addition, we are focused on the measurable steps that we can take to reduce both the embodied carbon in our supply chain and in-use carbon from our homes, including increasing the use

Chief Executive's statement CONTINUED

of timber frame in home construction, which is a sustainable technology. We have set a target to reduce indirect carbon emissions by 11% from our supply chain and our homes by 2030. Partnerships with our suppliers and sub-contractors are key to the delivery of our goals and we continue to engage with them in respect of this. In July this year we launched a Sustainability Capability Matrix with our suppliers, enabling our category managers to work with our suppliers and together drive progress against our sustainability priorities.

We are working with Innovate UK on AIMCH, a research project to compare issues such as embodied carbon in homes and the generation of waste between offsite and traditional build methods. We are actively looking at how we can meet the Future Homes Standard and design homes which are not connected to the gas grid.

Biodiversity and water

We are aiming to create a net positive impact for ecology and biodiversity across all developments we are progressing through planning from 2020. We hold a strategic partnership with the RSPB and released wildlife friendly show home garden guidance in July 2019. This mandates newly designed show home gardens to reach at least 'Bronze Level' standard against RSPB criteria.

We have also published our 'Approach to Water', which explains the ways in which the business is mitigating the risks from flooding and freshwater scarcity both to our business and to the communities in which we operate.

Waste

We continue to focus on waste and resource efficiencies and take practical steps in our operations to reduce waste.

We have disappointingly seen a further rise in waste intensity of 18% in FY20 (FY19: 8% increase). This is an 8.6% increase compared to the baseline in FY15 and puts our longer term target for waste reduction at risk. We have undertaken a review and identified that onsite segregation can be improved. We commenced a back to basics campaign in order to reinforce monitoring and tracking of waste reduction actions across our sites.

As part of our efforts to analyse and understand the root causes of waste, we also conducted a survey of 72 suppliers to investigate the extent and types of single use plastic packaging on site, identifying opportunities to reduce it through further collaboration.

↑ Chloe Fitzgibbon, a sales adviser at our Wychwood Park, Haywards Heath, West Sussex.

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 both locally and nationally and we actively promote charitable giving and volunteering amongst our employees. In FY20 we raised and donated £4.4m (FY19: £2.9m) for charitable causes.

COVID-19 has made it all the more important to do what we can to support our communities. We have donated £100,000 to the NHS Charities Together directly and an additional £50,000 to NHS Charities Together through The Sun's Who Cares Wins campaign, as well as, £25,000 to The Big Issue to support vendors who were unable to sell the magazine during the lockdown.

In the early stages of the pandemic, we also donated 5,000 medical standard facemasks to the NHS and all 400 of our defibrillators to St John Ambulance and St Andrew's First Aid. This is in addition to our Big Barratt NHS Thank You, under which we provide a deposit contribution to NHS workers trying to get onto the property ladder. To date the NHS Thank You has funded over £10.0m of deposit contributions.

The Group has also entered into new partnerships with a number of charities this year. In September 2019, we signed up to a three year £1m partnership agreement with Outward Bound Trust. The Trust uses outdoor adventure programmes to help young people access nature and build resilience and self-belief. Our partnership will help around 2,400 children, while 82 of our employees will get the opportunity to act as mentors on Outward Bound courses. We also entered into a three year partnership with HighGround to help fund horticultural therapy services for injured service personnel and became the official sponsors of the Whizz Kidz Kidz Board, a group of young wheelchair users who meet to discuss and develop recommendations around the issues facing disabled young people. These partnerships build on our existing partnerships with St Mungo's, a homelessness charity, The Royal British Legion Industries (RBLI) helping build a Centenary Village for ex-servicemen and women, as well as 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 'Being a trusted partner' and 'Building strong community relationships' 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. Through the Barratt & David Wilson Community Fund this year we have supported a range of different causes, from new equipment for a local sports club to playgroups at a children's hospice, and from support groups for cancer sufferers to library buses for local schools. A number of our divisions also supported the fight against COVID-19, donating to Meals for the NHS and St John Ambulance.

Dividend policy

We recognise the importance of dividends to our shareholders. Going forward, we believe that it is in the best interests of shareholders to have a long term predictable dividend income stream, through an ordinary dividend policy with a defined level of ordinary dividend cover. When the Board believes the time is right it will implement a dividend policy based on a dividend cover of 2.5 times.

Current trading and outlook

We are focused on rebuilding our completion volumes to our medium term target and capacity of 20,000 homes. We have acquired land in recent years at a minimum 23% gross margin, and through our continued focus on operating efficiencies and the rebuilding of completion volumes, we continue to target a minimum 25% ROCE in the medium term.

The sales performance across all regions in the new financial year to date has been encouraging, with net private reservations per average week of 314 (FY20: 250), resulting in net private reservations per active outlet per average week of 0.94 (FY20: 0.68). We have also seen a substantial increase in home completion volumes in the eight weeks to 23 August 2020, which were up 62.4% compared to the prior period at 1,439 homes including JVs (25 August 2019: 886 homes including JVs). The increased activity levels are being stimulated by a combination of pent-up demand, the Stamp Duty holiday and an understanding that Help to Buy will only be available to first time buyers and regional home price caps will exist from April 2021.

Our total forward sales, including JVs as at 23 August 2020 stood at 15,660 homes (25 August 2019: 13,064 homes) at a value of £3,706.5m (25 August 2019: £3,037.5m).

	23 August 2020		25 August 2019		**Variance %**	
	£m	**Homes**	£m	Homes	£m	Homes
Private	**2,143.7**	**6,577**	1,583.5	5,088	35.4	29.3
Affordable	**1,277.6**	**8,249**	1,133.9	7,089	12.7	16.4
Wholly owned	**3,421.3**	**14,826**	**2,717.4**	**12,177**	**25.9**	**21.8**
JV	**285.2**	**834**	320.1	887	(10.9)	(6.0)
Total	**3,706.5**	**15,660**	3,037.5	13,064	22.0	19.9

We are pleased that since the start of the new financial year we have seen our production increase, constructing the equivalent of 347 homes in the week ending 23 August 2020 and we are on track to deliver our planned output.

Based on current market conditions, construction activity levels and assuming no further lockdowns, we expect to grow wholly owned completions to between 14,500 and 15,000 homes in FY21, and in addition around 650 completions from our joint ventures, whilst ensuring we maintain our industry leading standards of quality and service.

Whilst there continues to be economic and political uncertainty, the Group is in a strong position. 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. We have therefore now re-entered the land market selectively, maintaining our disciplined approach, where we see attractive opportunities.

Our experienced Board remains focused on taking the actions necessary to safeguard the operational and financial strength of the business whilst our first priority remains the health and safety of our employees, sub-contractors and customers.

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 changes in the operating environment in FY21 and beyond.

David Thomas
Chief Executive

1 September 2020

Chief Financial Officer's review

"Our operating framework and appropriate capital structure has served us well over the last three years. The resilience they have created was demonstrated in FY20 given the unprecedented impact of COVID-19."

Jessica White
Chief Financial Officer

Our financial performance this year is substantially lower than our expectations after our half year performance due to the significant impact of COVID-19. The strength of our balance sheet, the resilience embedded in our business model and the immediate actions taken by the Board positioned us well for the challenges arising from COVID-19.

Results for the year ended 30 June 2020

Profitability

We delivered a resilient performance on home reservations in the year given that COVID-19 resulted in the physical closure of our sales centres from 23 March until 21 May in England, 11 June in Scotland and 25 June in Wales. Our overall net private reservation rate for the year was 0.60 (2019: 0.70) per active outlet per average week.

We had three distinct periods for reservations in the year as follows:

	Pre lockdown 38 Weeks (1 July to 22 March)	**Lockdown 8 Weeks** (23 March to 17 May)	**Post lockdown 6 Weeks** (18 May to 30 June)	**Full Year** (1 July to 30 June)
2020	**0.73**	**(0.10)**	**0.63**	**0.60**
2019*	0.68	0.82	0.69	0.70
Variance %	7.4%	n/m	(8.7%)	(14.3%)

* 2019 is equivalent period.

Prior to the COVID-19 pandemic, the market was stable with a net reservation rate of 0.73 per active outlet per average week, 7.4% up on the 0.68 achieved in the prior year equivalent period ('PYEP').

Whilst we kept our sales centres open virtually throughout the pandemic, and implemented new selling techniques using technology, during the lockdown period we experienced a lower level of reservations as most customers prefer to visit our sales centres before reserving. We also experienced a relatively high level of cancellations in this period, a reflection of build-related delays to completion dates and employment uncertainty for some customers. This resulted in a net negative reservation rate of 0.10 per active outlet per average week. This period is normally the height of the spring selling season with 0.82 net private reservations secured in the PYEP.

Following the reopening of our sales centres and our controlled restart of construction activities, we achieved a net reservation rate of 0.63 per active outlet per average week for the last six weeks of our financial year. Whilst this was 8.7% below the PYEP, this rate included all of our active outlets in a period where our sales centres gradually reopened. We also saw our cancellation rate return to more normal levels in this period.

During the year, we operated from an average of 366 active outlets (2019: 379 outlets) including JVs. We launched 75 new outlets (2019: 163 outlets) including JVs in the year with the lockdown severely curtailing new outlet openings in the final quarter. In FY21 we expect to operate from a slightly lower number of active outlets reflecting delays to new site commencements created by the impact of the period of lockdown on our operations. We expect to legally complete a similar proportion of affordable homes at c. 20% of total home completions in FY21.

Following the disruption to build from the site closure, lockdown and restart process, completion volumes substantially declined year on year as follows:

Completions (homes)	FY20	FY19	Change
Private	**9,568**	13,533	(29.3%)
Affordable	**2,466**	3,578	(31.1%)
JV	**570**	745	(23.5%)
Total (including JVs)	**12,604**	17,856	(29.4%)

Selling prices have remained resilient throughout the year, with no discernible change in pricing levels post COVID-19. Our total average selling price ('ASP') was £280.3k (2019: £274.4k), with private ASP at £310.6k (2019: £312.0k), reflecting changes in mix with a lower proportion of completions from London. Outside of London, our private ASP increased by 2.2% to £303.6k (2019: £297.2k), mainly driven by geographical mix. Affordable ASP increased by 23.3% to £163.0k (2019: £132.2k) reflecting changes in mix, primarily the proportion of completions from London.

The significant progress against our medium term targets and our profitability was severely impacted by the COVID-19 pandemic due to a material reduction in completion volumes and substantial additional costs.

Our adjusted gross margin in FY20 was 18.5% (2019: 22.8%), with the decline primarily reflecting the reduction in completion volumes coupled with additional costs associated with expected extended site durations. Adjusted gross margin also includes 150 bps of non-recurring costs, relating to non-productive site overheads during lockdown (£45.2m, 130 bps impact) and an inventory provision (£8.2m, 20 bps impact). Including adjusted items from legacy property costs and CJRS grant income, gross margin was 18.0% (2019: 22.8%).

This year, we delivered an adjusted operating profit of £507.3m (2019: £904.3m) at an adjusted operating margin of 14.8% (2019: 19.0%). The decline reflected the reduction in adjusted gross margin partly offset by a significant reduction in administrative expenses primarily due to the effect of COVID-19 on incentive schemes. Operating margin was 14.4% (2019: 18.9%) again reflecting the costs associated with legacy properties and CJRS grant income.

The chart details the movements in operating margin in FY20 with further detail provided on page 22.

Chief Financial Officer's review CONTINUED

The decline in adjusted operating margin reflects a number of factors:

- **Completion volumes:** the most significant impact related to the decline in wholly owned home completion volumes. The 29.7% or 5,077 reduction in wholly owned completions created a 190 bps negative impact.
- **New sites:** the benefit of the Group's minimum 23% gross margin on incremental site openings as well as the improved build cost performance of our housing range generated a 50 bps positive impact.
- **Net impact of build costs relative to selling prices:** modest sales price inflation across the year relative to underlying build cost inflation produced a 50 bps negative impact.
- **Site extension costs:** this arises from an expected extension in site durations due to COVID-19 of approximately six months reflecting the recovery in site efficiency through to year end. In line with our accounting policy, which requires an equal margin to be recognised on all homes completed in the financial year and future years, there was a charge of £29.1m across all ongoing sites in 2020 and a 90 bps negative impact on the adjusted operating margin.
- **Mix and other items:** changes in sales mix and other smaller items combined to create a 60 bps negative impact.
- **Administrative expenses:** following the onset of COVID-19 we took a number of actions to reduce costs, including the cessation of all recruitment activity and the decision to make no payments under the FY20 annual bonus scheme, which contributed to a significant reduction in administrative expenses. This added 120 bps to the adjusted operating margin. In FY21, we expect administrative expenses will revert to previous levels at c. £195m.
- **Inventory provision charge:** primarily resulting from changes in the expected commercial revenues following the substantial deterioration in the retail and restaurant sector, reduced the viability of a mixed use site and, as a result, there was a net charge of £8.2m with a 20 bps reduction.
- **Non-productive site overheads:** these costs, which would normally be capitalised to WIP were instead expensed due to the absence of activity during the lockdown period and totalled £45.2m. These costs related to safety measures, non-productive site and site-based employee costs and had a 130 bps negative impact on the adjusted operating margin.

There were two adjusted items recognised during the year, being costs associated with legacy properties and grant income received under the CJRS.

- **Cost associated with legacy properties:** the Group incurred an additional £39.9m (2019: £6.9m) of costs in the year. Of this, £11.4m related to legacy properties comprising costs related to developments where cladding has needed to be removed and replaced. The remaining £28.5m relates to Citiscape and the associated review. As previously announced, in July, in line with our commitment to customers and recognising the responsibility we have for the work of our partners, we took the decision to pay for required remedial action on the reinforced concrete frame at Citiscape, a development designed for us in 2001 by a third-party structural engineering firm, which would otherwise fall on leaseholders. We apologise unreservedly to affected customers that the standards that we set for ourselves and our partners were not met at these developments. While we have no legal liability to cover the costs of this work, as a responsible developer, we appointed independent structural engineers to review the other developments where reinforced concrete frames were designed for us by either the same original engineering firm or by other companies within the

↓ Our New Lubbesthorpe development in Leicestershire, winner of the RTPI national award for Excellence in Planning to Deliver Homes in Large Schemes.

group of companies which has since acquired it. The preliminary reviews of all of these developments have not identified any issues as severe as those present at Citiscape. Engineers are now undertaking more detailed reviews to see if any remediation of the concrete frames is required and in line with our commitment to put our customers first, we will ensure that no costs associated with these remedial works are borne by leaseholders. The total costs for the required remedial programme at Citiscape, the structural engineering reviews and remediation required at other buildings, is estimated to be around £70m, of which, based on the Group's liability for works at 30 June, £22.1m was provided in H2 FY20. At its meeting on 5 July 2020, the Board committed to pay for other remedial works including Citiscape, with a total estimated cost of £48m, which will be charged in FY21.

- **CJRS grant income:** through the period of temporary closure of the business, where around 85% of our employees were placed on furlough, we used the Government's CJRS receiving £26.0m. With our employees, other than those shielding, having returned from furlough at the start of July and our financial position remaining resilient, the Board decided on 5 July 2020 to repay all furlough funds received. With the decision to repay CJRS funds taken after the year end, we have recognised the total grant income received in FY20 as an adjusted item. In FY21 the return of this grant income will be recognised as an expense in adjusted items.

As a result, we delivered an operating profit of £493.4m (2019: £901.1m).

Net finance charges were £29.9m (2019: £28.8m). This £1.1m increase reflects the cash phasing profile in the year, a £2.0m finance charge on leased assets following the adoption of the new accounting standard offset by a £1.6m reduction in the imputed interest on land creditors, which as a proportion of our owned land bank reduced in line with our operating framework. In FY21, finance costs are expected to be similar to FY20 at c. £30m, of which c. £10m is cash and c. £20m is non-cash.

Joint ventures delivered a reduced profit for the year of £28.3m (2019: £37.5m) reflecting reduced profit from land sales and the impact of the COVID-19 lockdown on both build activity and completions. In FY21, we expect to deliver around 650 joint venture completions.

As a result, profit before tax for the year declined to £491.8m (2019: £909.8m). The tax charge for the year was £89.1m (2019: £170.4m) at an effective rate of 18.1% (2019: 18.7%).

Basic earnings per share reduced to 39.4 pence per share (2019: 73.2 pence per share).

With the substantial decline in Group profitability in FY20, our ROCE, which had improved from 23.9% in FY15 to 29.7% in FY19 and was 29.3% in the 12 month period to 31 December 2019, reduced to 15.6% in FY20.

Cash flow

Net cash decreased to £308.2m at 30 June 2020 (2019: £765.7m). The decline in net cash primarily reflected a £121.0m net cash outflow from operating activities (2019: £361.3m cash inflow), a net £41.0m cash inflow from reduced investment in joint ventures (2019: £15.9m cash inflow) and £373.2m dividends paid to shareholders in the year (2019: £452.3m).

The major drivers of the net cash outflow from operating activities in the year to 30 June 2020 were:

- The reduced level of profit from operations, which declined to £493.4m (2019: £901.1m);
- A cash outflow in respect of working capital and provisions of £428.1m (2019: £347.5m); and
- Interest and tax payments which totalled £199.0m (2019: £171.8m).

The £428.1m outflow in respect of working capital and provisions consisted of:

- A £211.8m increase in inventories reflecting the additional construction work in progress carried at the end of the year following the disruption to completions caused by COVID-19, as well as a modest increase in land investment;
- A £129.3m decrease in receivables which reflected the lower level of construction and sales activity in the last quarter caused by COVID-19;
- A £373.8m decrease in respect of payables. This consisted of a £168.8m reduction in land creditors and a £216.7m decrease in trade payables reflecting payments made to our suppliers and sub-contractors, which were not replaced at the same level due to the lower level of construction activity due to the impact of COVID-19 in our last quarter; and
- A £28.2m increase in provisions as a result of additional costs associated with legacy properties.

Balance sheet

The Group's net assets at 30 June 2020 totalled £4,840.3m (2019: £4,869.0m) after the payment of dividends totalling £373.2m (2019: £452.3m).

At 30 June 2020, the Group had net cash balances of £308.2m (2019: £765.7m). As at 30 June 2020 land creditors had reduced to £791.9m (2019: £960.7m) and equated to 25.4% (2019: 31.3%) of the owned land bank, in line with our pre-existing operating framework, but also reflecting our suspension of land buying activity from March through to August. Our total gearing, including land creditors, has increased to 12.3% at 30 June 2020 (2019: 4.9%) an increase of 740 bps. Whilst our total gearing, including land creditors, has reduced by 360 bps since 2016, we are focused on reducing it from the current level over the medium term.

In FY21, we expect average net cash of c. £300m across our financial year, and net cash balance of around £550m at 30 June 2021. Land creditors are expected to further reduce, reflecting the suspension of land buying in FY20 and the timing of payments due to existing land creditors, with £492.9m falling due for payment in FY21. Land creditors due beyond FY21 total £299.0m at 30 June 2020 (2019: £385.6m due beyond FY20).

Net tangible assets were £3,933.3m (386 pence per share) at 30 June 2020 (2019: £3,960.8m, 389 pence per share). Land, net of land creditors, and work in progress totalled £4,172.8m (410 pence per share) at 30 June 2020 (2019: £3,743.7m, 368 pence per share).

Chief Financial Officer's review CONTINUED

The key dimensions underpinning delivery of our strategy

Land and planning

The land market prior to COVID-19 remained stable allowing our operations to secure plots on attractive terms at our minimum 23% gross margin and 25% ROCE hurdle rates. We acted quickly and decisively in response to COVID-19, and in line with our established action plan for significant unexpected events, suspended land purchasing on 19 March 2020. As a result, we approved the purchase of significantly less land in FY20 than we had envisaged earlier in the financial year with £368.1m (2019: £859.8m) of operational land approved for purchase, which we expect to equate to 9,441 plots (2019: 18,448 plots).

The suspension of land buying activity both protected our cash flows and enabled us to assess the market and gain greater clarity on the economic impact of the pandemic.

We have a strong land bank and have therefore recommenced land buying selectively, maintaining our disciplined approach, where we see attractive opportunities. Including the payment of land creditors, we would expect to invest c.£850m in land during FY21. (FY20: £780m invested in land).

Our target remains to have 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. The aim for a shorter than sector average land bank reflects our focus on ROCE and our fast build and sell model. Reflecting our reduced completion volumes in FY20 due to COVID-19, at 30 June 2020 we are above this target with 6.7 years land supply comprising 5.7 years owned land and 1.0 year of controlled land, with the owned land bank including land with both outline and detailed planning consents.

Our land bank at 30 June comprised:

Our land bank	**30 June 2020**	30 June 2019
Owned and unconditional land bank (plots)	**68,393**	66,423
Conditionally contracted land bank (plots)	**11,931**	13,599
Total owned and controlled land bank (plots)	**80,324**	80,022
Number of years' supply	**6.7**	4.7
JVs owned and controlled land bank (plots)	**5,400**	5,207
Strategic land (acres)	**13,271**	11,995
Land bank carrying value	**3,112.3**	3,071.6

At 30 June 2020, the ASP of plots in our owned land bank was £276,000 (2019:£275,000).

During the year we delivered 2,929 (2019: 4,374) completions from strategically sourced land, and we converted 3,137 plots (2019: 7,915 plots) of strategic land into our owned and controlled land bank. Around 20% of our strategic land is allocated or included in draft local plans. We continue to target 30% of completions from strategic land in the medium term, which we believe is an appropriate level for our business.

Following our success with planning over the past 12 months we are well positioned, with all of our expected FY21 completions (2019: all of our FY20 completions)

Improving efficiency and reducing costs

Improving the efficiency of our operations and controlling costs whilst maintaining our focus on quality and customer satisfaction remains a key focus for the Group, as both will enhance our margin and improve business resilience. Our new housetype ranges maintain our high standards of design whilst being faster to build, helping us to reduce build cost and are more suitable for MMC. We delivered 60% of our completions, including JVs, outside London from these ranges across the country in the year (2019: 36%). Of our outlets, including JVs, 79% (2019: 72%) now have the new product ranges.

Over the next few years, we would expect that c. 90% of our outlets would be suitable for our new product ranges equating to c. 85% of our completions. 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 continue to make further refinements to our housing ranges in response to the changing costs of certain trades and materials, without affecting our quality or design standards. As part of our continuous review process, we have introduced hipped roof designs to some of our standard housetypes, which reduce the amount of brickwork required, and optimised internal floor plans to achieve more usable living space from the same house footprint and increase profitability.

We have a robust and carefully managed supply chain with around 90% of the housebuild materials sourced by our centralised procurement function being manufactured or assembled in the UK. We are also 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 have fixed price agreements in place for 95% of these materials to December 2020 and 62% are fixed until June 2021.

We are currently seeing limited pressure on skilled labour supply given the impact of COVID-19 with any shortages being location and trade specific. We are also improving construction efficiency and reducing demand on labour through the continued roll-out of our new housetype ranges, which are easier and quicker to build, and through the use of MMC. We anticipate inflation of between 1% and 2% for FY21 broadly in line with FY20.

Operating framework and capital structure

Our operating framework and appropriate capital structure has served us well over the last three years. The resilience they have created was demonstrated in FY20 given the unprecedented impact of COVID-19.

We will continue to maintain an appropriate capital structure as part of our disciplined operating framework. Shareholders' funds and land creditors fund the longer term requirements of the business and term loans and bank debt fund the shorter term requirements for working capital.

Reflecting the changed economic and trading backdrop we have adjusted our operating framework to reflect our future dividend policy, include a new target range for land creditor usage and to introduce a target of minimal total indebtedness in the medium term. Our revised operating framework is as follows:

↑ Lucy Hendricks and Ythan Rickards who purchased an apartment at Barratt Homes' Wychwood Park development in Haywards Heath, West Sussex, using their savings, the Government's Help to Buy scheme and Barratt's own NHS Deposit Contribution Scheme.

	New operating framework	Positions at 30 June 2020 and 2019
Land bank	c. 3.5 years owned and c. 1.0 year controlled	2020: 5.7 years owned and 1.0 year controlled (2019: 3.9 years owned and 0.8 years controlled)
Land creditors	Reduce usage to 15 - 25% of the land bank over medium term	Reduced to 25.4% (2019: 31.3%)
Net cash	Modest average net cash over the financial year	FY20 average net cash of £348.3m (2019: £298.3m)
	Year end net cash	2020: £308.2m (2019: £765.7m)
Total indebtedness (net cash and land creditors)	Minimal year end total indebtedness in the medium term	2020: total indebtedness of £483.7m (2019: total indebtedness of £195.0m)
Treasury	Appropriate financing facilities	£700m RCF extended to November 2024 £200m USPP maturing 2027
Dividend policy	2.5× dividend cover (at the appropriate time)	FY20 no dividend proposed (2019: 46.4p per share)

Chief Financial Officer's review CONTINUED

Our operating framework provides the strong financial foundation for our business:

- **Land bank:** our land bank framework is unchanged. 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 reflecting our focus on ROCE and our fast build and sell model. We are above this framework level, reflecting the decline in our completions. Through our focus on rebuilding completion volumes, we expect to gradually realign with our operating framework.
- **Land creditors:** following the reduction in land creditors to 25.4% of the land bank in FY20, and in order to reduce gearing and further strengthen our balance sheet, we have revised the targeted range of land creditor usage to a 15 – 25% range.
- **Net cash:** in order to preserve a resilient balance sheet, we continue to seek to maintain a modest average net cash position over the financial year.
- **Total indebtedness:** in order to strengthen our balance sheet further, in the medium term, we will target achieving a minimal total indebtedness at year end, where total indebtedness is the combination of net cash and land creditors.
- **Treasury:** we will continue to maintain an appropriate capital structure as part of our disciplined 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.
- **Dividend policy:** when the Board believes the time is right it will implement a dividend policy based on a dividend cover of 2.5 times.

Pensions

The Group operates a funded defined benefit pension 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 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.

Over the years, the defined benefit section has been well funded due to the successful working relationship between the Trustee and the Company. During the course of FY20, both parties worked together to investigate options for insuring the defined benefit members' benefits with a UK-based insurance company, with the objective of ensuring the financial security of those benefits for the long term. After a detailed selection process, on 16 June 2020, the Trustees entered into a 'buy-in' using a bulk annuity insurance contract with an insurer in respect of the liabilities of the defined benefit scheme. The insurer will pay into the Scheme cash matching the benefits due to members.

The Company was supportive of the Trustee's investment decision as it reduces the risks in the Scheme and provides additional security for the benefits due to members of the Scheme.

The buy-in has resulted in a re-measurement of the Scheme's assets, with an acturial loss of £69.2m recognised in the Group and Company Statement of Comprehensive Income. Following the buy-in there is a defined benefit asset of £3.5m on the Balance Sheet reflecting the remaining assets held by the Scheme.

Treasury

Relationships with banks and cash management are coordinated centrally as a Group function. This year our cash balances and bank overdrafts have been presented gross rather than net with no change in our net cash. The Board sets and 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

The Group 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 2020 was £89.1m (2019: £170.4m).

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. The rate for the year ended 30 June 2020 was 18.1% (2019: 18.7%) which is marginally lower (2019: lower) than the standard effective rate of tax of 19.0% (2019: 19.0%).

In a strong financial position entering FY21

During the year we have demonstrated financial discipline across our operations, showing the benefit of our clear, well embedded operating framework. We closed the year with a strong financial position comprising a substantial net cash balance and a well-capitalised balance sheet, positioning us well for FY21.

Jessica White

1 September 2020

Strategic Report

↓ Barratt Homes at Saviours Place, Stretton, Warrington.

Marketplace

The last financial year has seen a great deal of political and economic upheaval.

213,859

New build completions in England 2018–19

(2019: 195,294 New build completions in England 2017–18)

Uncertainty at the start of the year reflected the lack of consensus regarding the ongoing EU withdrawal negotiations, which resulted first in a new Prime Minister, and subsequently in a General Election that returned the largest parliamentary majority in 15 years. Although the housing market and the wider economy began to gather momentum in the early part of 2020, COVID-19 and the subsequent lockdown have since had an enormous impact on both – the UK economy contracted by 19% in the three months to May 2020[1]. Government intervention in the economy, such as the furlough scheme for employees, income support for the self-employed and forbearance measures on household and corporate debt have insulated the UK against a more severe economic shock, but the impact on the economy as these measures are withdrawn is unclear.

The UK housing market has rebounded well since lockdown restrictions were eased, likely due to a release of pent-up demand and assisted by government support like the Stamp Duty holiday. However, there has been a reduction in high LTV mortgage lending, which will be exacerbated by the restriction of Help to Buy from April 2021. There is also expected to be an increase in unemployment in the next 12 months.

Despite these headwinds, we believe that the underlying conditions for housebuilders remain positive. The majority of people want to own their own home; there is a long term undersupply of high quality new housing; and the Government has demonstrated its support for the housebuilding industry.

Housing supply

The most accurate available data suggests that in the year to March 2019, the number of new homes built in England increased by 9.5% to 213,859, part of 241,335 net additions – the highest figure for 30 years. Housebuilding output has increased by 80% since 2013[2].

However, for a number of years, the country has failed to build enough homes. Since the economic crisis of 2008, it is estimated England has generated a shortfall of over a million new homes.

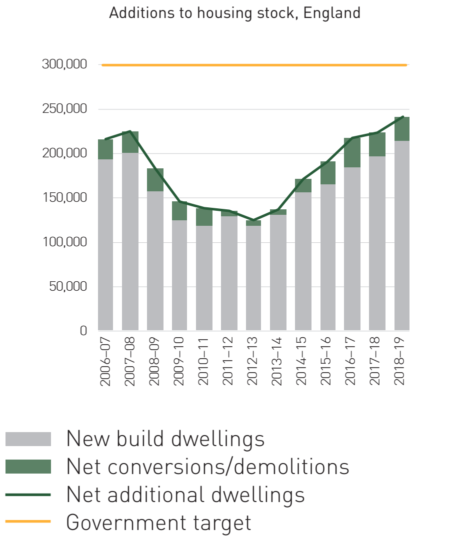
To respond to this undersupply, we increased its build volumes by 60% in the eight years to June 2019. Our completion volumes have fallen this year, by virtue of our decision to close our construction sites, sales centres and offices to protect our employees and the general public in response to COVID-19. Strong financial management, including during the pandemic, and an optimised organisational structure mean we are well placed to regrow volumes, and we remain committed to our medium term target of 20,000 wholly owned completions per annum.

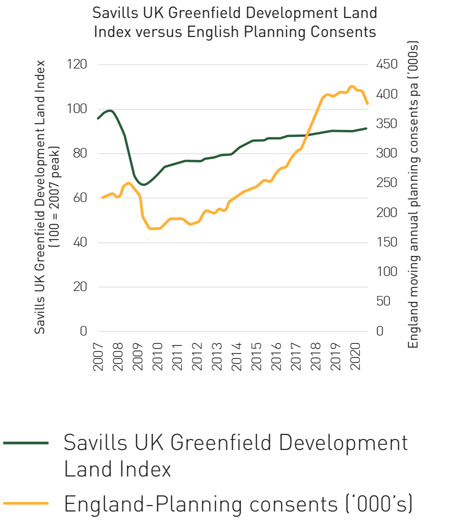
Government policies and the planning system

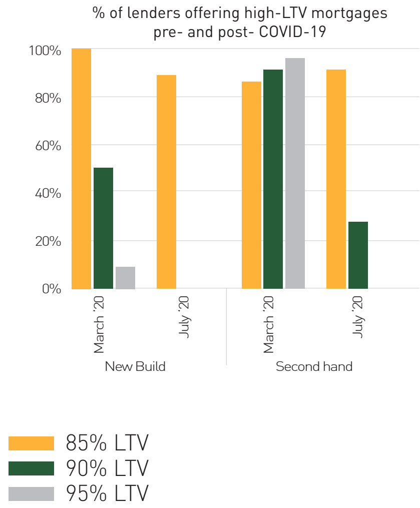
The Government remains supportive of the housebuilding industry, and has made it clear that increasing housebuilding is an important part of its overall policy agenda.

There is a good supply of homes coming through the planning system, with the annual number of permissions being consistently above 350,000 for the last three years. Permissions have also increased by 95% since the introduction of the NPPF in 2012[3], which has significantly boosted development land supply. In August 2020 the Government unveiled a range of proposed reforms with a view to speeding up the approval process, and we would cautiously welcome these proposals.

From April 2021, Help to Buy will be restricted to first time buyers and subject to regional price caps, before the scheme is removed in 2023. We welcome the Government's extension of the build complete deadline of December 2020, which threatened to unfairly exclude thousands of new home buyers. Help to Buy is an important part of the housing market, helping grow volumes and supporting home ownership for over 250,000 families since it was implemented in 2013[4]. With the recent withdrawal of high LTV mortgages, it is especially important that the Government considers further measures to support home ownership, and we await the results of the pilot First Homes.







In July 2021 the Government announced a Stamp Duty holiday, raising the threshold at which the tax becomes payable to £500,000, which will support demand in the coming months. The Government has also recognised the role that the housebuilding industry can play in helping the UK reach its target of being net zero carbon by 2050.

We have responded to the Government's policies by engaging with policymakers at each stage of their development to ensure that the voices of the industry and of our customers are heard. We have planned for the forthcoming Help to Buy changes through our forward land-buying decisions, as well as changes to both product design and to the mix of product on sites. We are promoting the Stamp Duty holiday to customers, so that they can take advantage of the reduced moving costs.

We contributed to the Government's consultation on the Future Homes Standard, and we have committed that all of our new standard housetypes designs will be net zero carbon from 2030, alongside other ambitious targets. You can read about our science-based targets for carbon emission reduction on page 234 to 236.

The mortgage market

Mortgage approvals remained steady during the early part of the financial year, but demand increased after the general election, to the point that in February 2020 annualised mortgage approvals reached over 800,000 for the first time since 2017. COVID-19 then caused a significant reduction, with approvals in May 2020 87% lower than in May 2019. Since then, the market has rebounded, with approvals for the year to June of 653,500[5].

Low interest rates continue to make mortgage service costs relatively affordable with some 28.2% of average disposable earnings required to service a typical mortgage, still usefully below the long term average of 32.9%[6].

However, mortgage qualification is becoming more challenging as mainstream mortgage lenders withdraw their higher LTV products, particularly on new build properties. None of the mainstream mortgage lenders are currently offering a mortgage of 95% LTV on a new build property. In particular, this will affect home movers looking to upsize who lack significant equity in their existing home, or first time buyers who are trying to buy homes above the Help to Buy regional price caps.

We continually review and adapt our product ranges to fit the requirements of a changing market, and to ensure they are available to a wide range of incomes and lifestyles. The flexibility of our range also means we are able to re-plan sites according to market conditions and consumer demand as the need arises. We continue to work with building societies, banks and other financial institutions to both introduce more lenders to the new build sector and to increase lender understanding.

Sources

1. ONS, GDP Monthly Estimate, https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/may2020, July 2020.
2. MHCLG, Table 120: components of housing supply; net additional dwellings, https://www.gov.uk/government/statistical-data-sets/live-tables-on-net-supply-of-housing, November 2019.
3. HBF and Glenigan, Housing pipeline report – Q3 2019 report, https://www.hbf.co.uk/news/housing-pipeline-report-q3-2019-report/, February 2020.
4. MHCLG, Help to Buy equity loan statistics, https://www.gov.uk/government/collections/help-to-buy-equity-loan-and-newbuy-statistics, July 2020.
5. Bank of England, A5.4 Approvals for lending secured on dwellings, https://www.bankofengland.co.uk/statistics/tables, July 2020.
6. "The mortgage payment 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."

Business model

Our purpose 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.

Financial health

- Financial capital

Construction and developments

- Building materials

Our people

- Employees and 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

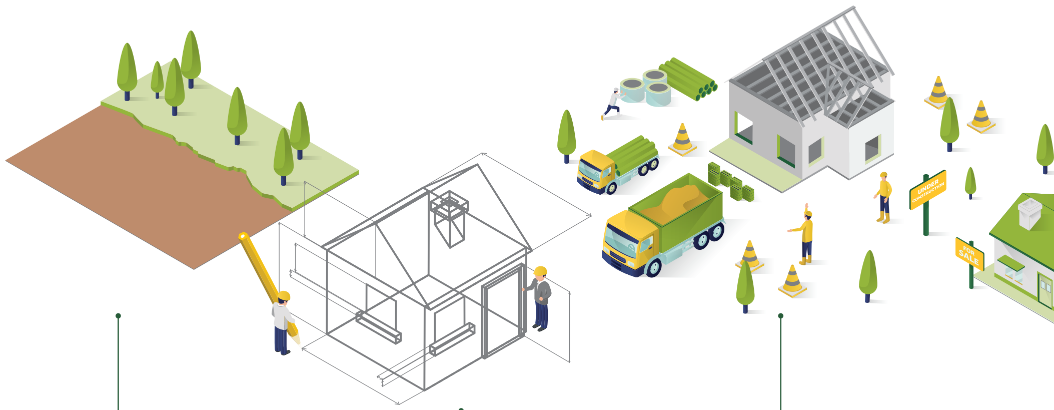
Design and innovation

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

Land and environment

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

Investment in the housebuilding value chain



Targeted land buying and effective planning

We purchase land in targeted locations in line with our hurdle rates, which enables 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 using standardised house designs. Through customer research we continually strive to innovate and develop these designs. We design 'Great places' that will stand the test of time.

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 ensure efficient delivery of our developments and continue to work with suppliers to develop and test various forms of MMC and reduce carbon emissions, waste and water use.

Competitive advantages

Commitment to quality and customer service

We are the industry leaders in quality and customer service. We have made a significant investment over many years in our processes and procedures to support this. Our quality and service performance is key to the strength of our business, our reputation and our licence to operate in communities across the country.

Doing the right thing, customer focus and pride in what we do

Our business is founded on a culture of doing the right thing, customer focus and pride in what we do. This culture is ingrained and guides the actions of our employees to ensure our commitment to quality and customer service is delivered across all areas of our business model.

This purpose defines the way we do business and is incorporated within our business model, enabling us to deliver value, create sustainable returns for shareholders and make a positive difference to stakeholders.

Innovative sales and marketing

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

Our strong, well recognised brands – Barratt Homes, David Wilson Homes and Barratt London – 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.

Resilient, sustainable business

We are a resilient and adaptable business that is built for long term growth while responding to and embracing change across all areas of our operations. This is what enables us to deliver strong financial and operational performance and create long term value for our stakeholders.

Value for stakeholders

Customers

We are the only major national housebuilder to achieve the maximum 5 Star HBF rating for customer satisfaction for 11 consecutive years. We provide our customers with a positive home buying experience and dedicated after-sales care.

Shareholders

Our revenue derives principally from the sale of homes we build. Maintaining a good level of sales of our homes leads to revenues and returns to shareholders. We continually focus on improving our operations and their efficiency through our medium term targets, which 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

Local investment in infrastructure and regeneration.

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 create a positive legacy that helps local communities to thrive.

Wider society

We are building the homes the country needs, creating jobs and supporting economic growth.

Long term value creation

Financial health

Shareholder returns:

- In total £1.6bn returned to shareholders to November 2019.
- COVID-19 created unprecedented uncertainty, resulting in no dividend payments in respect of FY20.
- 2.5 times dividend cover policy.

Construction and developments

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

Our people

- Job creation and skills enhancement, addressing the industry's skills shortage. Skilled and engaged employees 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.
- Taxation contribution.
- Design and innovation.
- Trusted reputation with sustainable brand recognition.
- Continual improvement and innovative solutions developed in collaboration with supply chain.

Land and environment

- Create a net positive impact for ecology and biodiversity across all new developments that we progress through planning from 2020 onwards.
- Reduction in energy consumption, carbon emissions, waste generation and water.
- Increased use of timber frames, renewable materials that use less energy than conventional construction methods.

Aligning our purpose, strategic priorities, principles and culture

Our purpose is to lead the future of housebuilding by putting customers at the heart of everything we do. This defines our actions and the way we do business. We believe that high quality homes and excellent customer service are fundamental to our ongoing success.

Our strategy is divided into four strategic priorities: Customer first; Great places; Leading construction; and Investing in our people, with sustainability embedded throughout our priorities. This helps us to deliver our purpose. These strategic priorities are supported by our principles, which are embedded in our operations and the way we work. Underpinning all of these activities is a culture, which demonstrates we do the right thing, we have a strong customer focus, we are resilient and adaptable and have pride in what we do.

Our purpose

To lead the future of housebuilding by putting customers at the heart of everything we do

Strategic priorities

Customer first

The quality of our homes and our high standards of customer service are key to our ongoing success

Read more on pages 50 to 51

Great places

We secure good value land and planning consents and design great places where people aspire to live

Read more on pages 52 to 53

Our principles

Leading construction

We deliver the highest quality homes by focusing on excellence across all aspects of construction

Read more on pages 54 to 57

Investing in our people

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

Read more on pages 58 to 61

Keeping people safe

Read more on pages 62 to 63

Being a trusted partner

Read more on pages 64 to 65

Building strong community relationships

Read more on pages 66 to 67

Safeguarding the environment

Read more on pages 68 to 70

Ensuring the financial health of the business

Read more on pages 16 to 21

Our culture

Doing the right thing

Customer focus

Resilience and adaptability

Pride in what we do

Read more on pages 92 to 95

How our strategic priorities and principles support our purpose and culture

Our priorities	Description	Progress in FY20
Customer first	The quality of our homes and our high standards of customer service are key to supporting our purpose. Our culture of customer focus and doing the right thing help us to continue to enhance our customer first strategic priority.	• HBF 5 Star status for the 11th consecutive year, the only major national housebuilder to achieve this record. • Delivered 2,466 affordable homes. • Launched an NHS and Armed Forces Deposit Contribution Scheme.
Great places	We secure high quality land and planning consents. Our people take pride in what they do and design our developments with customers at the heart of their decisions, making them places where people aspire to live.	• RTPI national award for Excellence in Planning. • 93 Built for Life accreditations, 23 of which are outstanding. • Land acquisition temporarily suspended from March to August 2020 in response to COVID-19. • Owned and controlled land bank of 6.7 years. • Biodiversity Net Gain good practice guide for technical, commercial and construction teams to be developed.
Leading construction	We seek to achieve excellence across all aspects of construction. Our people take pride in what they do and this helps us put customers first by delivering industry leading quality homes.	• Supreme Winner in the Large Builder category for the 2019 NHBC Pride in the Job Awards. • 92 Pride in the Job Awards, more than any other housebuilder for 16 consecutive years. • Continue to focus on waste and waste intensity as this important area.
Investing in our people	Our people are our most important asset. We aim to attract and retain the best people by investing in their development and success. This investment enables our people to meet the needs of our customers, taking pride in what they do, and deliver the highest quality homes and developments.	• Upper quartile engagement score of 84.2%. • 4.1 training days on average per employee. • Due to our ongoing efforts in this area, and the uncertainty created by COVID-19, we have seen a decrease in employee turnover of 6% to 10%. • 7% of employees were from BAME backgrounds, and 2.1% of senior leadership positions held by BAME employees. • Women in 14% of leadership roles. See pages 60 and 61 for information on diversity and inclusion. • Health and wellbeing focus recognised by being shortlisted for the prestigious Personnel Today Health and Wellbeing Award.

Our principles	Description	Progress in FY20
Keeping people safe	We are committed to achieving the highest industry health and safety standards. This allows us to safely deliver high quality homes for our customers.	• 96% SHE audit compliance. • 14% reduction in IIR rate to 256 per 100,000 persons employed (including sub-contractors). • Enhanced COVID-19 working practices and protocols implemented.
Being a trusted partner	We build long term relationships that make us the developer of choice for our partners. Our partners and supply chain support our delivery of quality homes. We are adapting and innovating with our supply chain to drive efficiency and meet our customer needs.	• Continued engagement with suppliers. • Science-based target set during the year, including a target to reduce carbon emissions from our supply chain by 11% by 2030. • Good progress on our AIMCH cross-stakeholder project with six advanced closed panel timber frame homes completed.
Building strong community relationships	We forge strong community relationships to ensure we build high quality developments where people aspire to live. We provide the facilities people need and ensure we create a positive legacy that helps local communities thrive.	• Less than 5% of the units we build require planning appeal at a local level. • £599m of local contributions and physical works contributions. • £4.4m raised and donated to charities during the year.
Safeguarding the environment	We aim to be the leading national sustainable housebuilder, building a resilient business ready for the future. We seek to build homes and places that are adapted for climate change and seek to enhance local habitats and biodiversity.	• Due to the impact of COVID-19, we saw an absolute 23% reduction in greenhouse gas emissions, but a 9.7% increase in carbon intensity to 1.92 tonnes of CO_2e per 100m² of legally completed build area due to the resulting delay in completions.
Ensuring the financial health of our business	We maintain financial discipline across all aspects of our operations. This enables us to deliver its operational targets whilst maintaining our industry leading standards of customer and build quality.	• Net cash at 30 June 2020 of £308.2m with average net cash for FY20 of £348.3m. • Land creditors reduced to 25.4% of owned land bank, in line with our operating framework. • Appropriate financing facilities.

← Aimee Amos, a sales adviser at our Dickens Gate development in Staplehurst Kent. Our sales centres are operating with COVID-19 working practices and protocols.

Sustainability focus areas

We are committed to creating a positive environmental, social and economic legacy for future generations. This goes to the core of quality housebuilding – creating great places, homes, and communities, which stand the test of time, with life at the centre of it all.

Providing confidence to our customers that their homes are designed and built to meet the challenges of the future is vital, and underpins the ability of our business to thrive and grow. The protection and enhancement of the resources on which our business relies – our people, the communities in which we operate, our partners, the natural environment and the planet – require that we do business sustainably and create value for our stakeholders. Good governance of these activities and connecting social, environmental and economic value across our business leads to better long term decisions.

Our purpose

To lead the future of housebuilding by putting customers at the heart of everything we do

Strategic priorities

- Customer first
- Great places
- Leading construction
- Investing in our people

The delivery and success of our strategic priorities depends on our principles being implemented effectively throughout our business and operations. Our core principles guide our culture and support us becoming a more successful and sustainable business.

Our principles

- Keeping people safe
- Being a trusted partner
- Building strong community relationships
- Safeguarding the environment
- Ensuring the financial health of the business

Our principles are reflected in our sustainability focus areas. We identified key targets for each of our sustainability focus areas, ensuring that we consistently drive forwards on the areas that matter most to our stakeholders.

Sustainability focus areas and key targets

Sustainable places to live	Innovative, efficient construction	Attracting, retaining and inspiring people	Keeping people safe and healthy	Responsible sourcing
Target for new standard housetype designs to be net zero carbon from 2030 Create a net positive impact for ecology and biodiversity across all developments that we progress through planning from 2020 onwards 100% of completed developments to be silver standard or above when assessed against our own design initiative Great Places which aligns to Government endorsed Building for Life	25% of homes built with MMC by 2025 By 2040 Barratt will become a net zero greenhouse gas emissions business covering all of its direct operations, with a 29% reduction in direct carbon emissions targeted by 2025 100% of own electricity renewable by 2025 20% less construction waste by 2025	7% workforce on training programmes Maintain 30% female Board members Maintain appropriate level of employee turnover 10% increase in BAME employees by end of 2021	Maintain annual injury incidence rate at below 2015 levels Provide leading health and wellbeing programmes	100% of centrally procured timber sustainably sourced 11% reduction in indirect emissions by 2030 50% of carbon intensive trades to be Supply Chain Sustainability School members by end of 2021. See page 65 for more information

From keeping people safe and healthy to ensuring sustainable and responsible sourcing, our Sustainability Framework 2020+ ensures we continually progress the sustainability focus areas that matter most to our stakeholders. Each of these has set targets and KPIs, with a member of the Board accountable for delivery.

As previously reported, to determine the areas of focus, we held a full materiality assessment in FY19.

Alongside our materiality assessment we reviewed our strategy against the 17 United Nations Sustainability Development Goals (UN SDGs). We carefully considered each one and its underlying indicators to discover which are most relevant to our business and where we can make the biggest contribution to this global framework.

More detail on our progress against our sustainability focus areas and targets can be found within our strategic priorities and principles.

Sustainability focus area	Sustainable development goals	Material issues	Goal	Read more about our progress	Risks
Sustainable places to live	11 Sustainable cities and communities; 15 Life on land	The lifetime environmental performance of our homes and buildings we build Affordability	Meet the expectations of customers and communities by delivering sustainable places to live that satisfy the need for further housing, whilst also providing a positive legacy.	Read more about **Great places** on pages 52 to 53 Read more about **Safeguarding the environment** on pages 68 to 70	A, B, C, J
Innovative efficient construction	7 Affordable and clean energy; 12 Responsible consumption and production	Innovation (MMC) Waste created by our operations The energy we use and carbon emissions of our operations	Minimise our use of materials and energy, reduce waste generation and maximise low carbon opportunities in all aspects of our business through innovation and development.	Read more about **Leading construction** on pages 54 to 57 Read more about **Safeguarding the environment** on pages 68 to 70	C, D, E, F, H, J
Attracting, inspiring and investing in people	5 Gender equality; 8 Decent work and economic growth	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	Continue to invest in and develop our people, and to identify new pools of talent to help us deliver ongoing growth.	Read more about **Investing in our people** on pages 58 to 61	G, H, J
Keeping people safe	3 Good health and well-being	Our approach to health and safety Promoting the physical and mental wellbeing of our employees	Provide a safe and healthy environment for our employees, sub-contractors, and people living in the communities where we build our homes and operate our offices.	Read more about **Keeping people safe** on pages 62 to 63	G, H, J
Sustainable and responsible sourcing	7 Affordable and clean energy; 8 Decent work and economic growth; 12 Responsible consumption and production	Having an energy efficient and low carbon supply chain	Work in partnership with our supply chain and sub-contractors to operate responsibly and use resources efficiently.	Read more about **Great places** on pages 52 to 53 Read more about **Trusted partner** on pages 64 to 65	C, F, G, J

Section 172(1) statement

On the following pages we have set out how the Board has acted in a way that promotes the success of the Company for the benefit of its members as a whole, in accordance with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, whilst having regard to the following matters set out in s.172(1) of the Act:

- 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.

This reporting requirement applies to the Company for the first time this year. However, we did include a comprehensive section 172(1) statement and stakeholder engagement disclosure in our Annual Report and Accounts for FY19.

We understand that it is important for the business at all levels, including the Board, to engage with its shareholders and wider stakeholder groups. By engaging with our stakeholders we gain a better understanding of what areas they are interested in or concerned about and also how our decisions have impacted them. Healthy engagement with our stakeholders underpins our governance framework, which is embedded throughout our business and helps to ensure we maintain high standards of business conduct. The Executive Directors update the Board on a regular basis on stakeholder engagement and wherever possible, members of the Board will engage directly with our stakeholders. Engagement with shareholders and other stakeholders supports the Board's regard to the likely consequences of any decision in the long term, as explained further in the business model on pages 30 to 31, Key activities of the Board on pages 89 to 91, Sustainability focus areas on pages 36 to 37, Safeguarding our Environment pages 68 to 70 and throughout our Strategic priorities and principles on pages 50 to 70.

The Board appreciates that there may be situations where conflicts will arise between different stakeholder groups. In such circumstances, the Board will seek to understand the needs and priorities of each stakeholder group during its discussions and as part of its decision making process. It will manage any such conflicts by assessing shareholder and stakeholder interests from the perspective of the long term sustainable success of the business.

COVID-19, the associated lockdown and subsequent business restart, required the Board to act swiftly and decisively (see pages 8 and 12 for more information). The Board remained mindful of the implications that their decisions would have on our stakeholders. This highlighted the continual need for regular clear and comprehensive engagement with our stakeholders throughout the decision making process.

The next few pages set out how we have engaged with, and taken into consideration, the interests and concerns of our stakeholders who are material to the long term success of the business. These stakeholders continue to 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.

Stakeholder engagement

Stakeholder engagement plays an important part of our day to day operations. The Board is kept appraised of the feedback received and takes this into account when making decisions that may impact our stakeholders either collectively or individually.

Shareholders

Read more on pages 40 to 41

Employees

Read more on pages 42 to 43

Customers

Read more on page 44

Sub-contractors and supply chain

Read more on page 45

Local communities

Read more on page 46

Banks and analysts

Read more on page 47

Government and regulators

Read more on pages 48 to 49

Stakeholder engagement CONTINUED

Shareholders

How we engage

Board updates

- Regular updates are provided to the Board by the Chief Financial Officer, the Company's brokers and the investor relations team on the Company's investor relations activities and analyst feedback, to ensure that all Directors are aware of, and have a clear understanding of, the views of major shareholders.

Investor meetings and consultations

- The Executive Directors and Investor Relations Team follow a comprehensive programme of investor meetings and calls, particularly following the release of annual and half year results and trading updates.
- In FY20, we engaged with our shareholders as follows:
  – The Executive Directors, supported by Senior Management, attended 135 investor meetings, (119 one-to-one meetings and 15 group meetings), along with one site visit, engaging with around 30% of our current shareholders (by shareholding value);
  – Investor roadshows were organised in London, Edinburgh, Birmingham, New York and Boston;
  – The Remuneration Committee Chairman consulted with major shareholders and proxy voting agencies on the Group's Remuneration Policy and remuneration outcomes; and
  – 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.

Regulatory announcements

During the financial year, in addition to our usual trading updates in May, July and October and the half and full year announcements, we updated shareholders and investors on the impact of COVID-19 on the business and our response. This included information relating to the temporary closure of our construction sites, sales centres and offices, furlough of the majority of employees, cancellation of the interim dividend and the final ordinary and special dividends, voluntary salary/fee reductions by the Board and Senior Management, application for CCFF funding and CJRS funding, return of the CJRS funding and the phased business restart.

Annual General Meeting

- On the assumption that we are able to hold a physical AGM in 2020:
  – the Chief Executive will update shareholders on the Group's performance and activities during the year including how the business responded to the impact of COVID-19;
  – Shareholders will have the opportunity to meet Board members and air any issues or queries they may have about the business; and
  – The Chairman and each Board Committee Chair will be available throughout the AGM to answer any queries.
- 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, which is more representative of shareholder voting intentions.
- Shareholders will be able to submit questions to the Board via email or post prior to the AGM

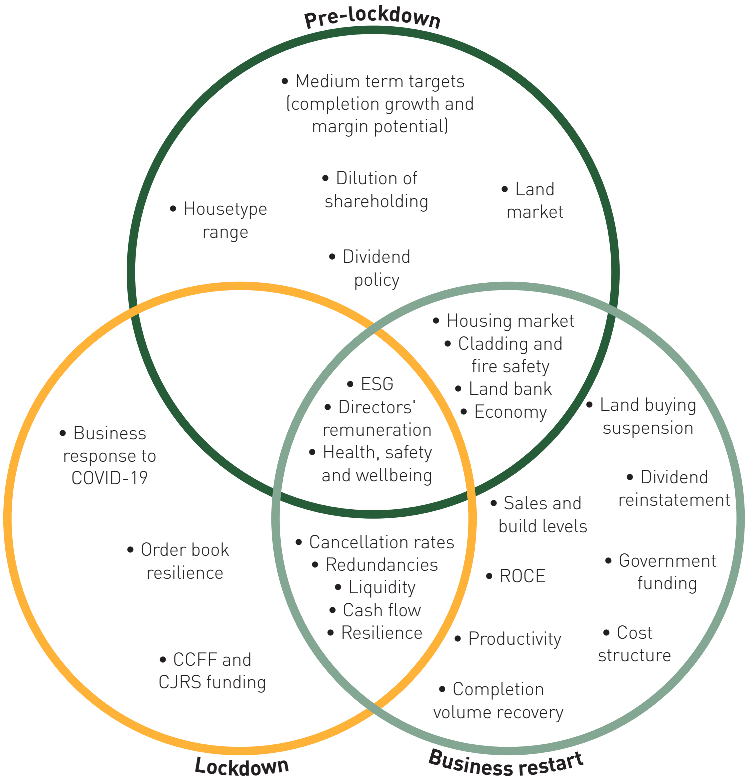
Website

- Our comprehensive investor website was updated and reviewed quarterly to ensure that information relating to matters such as sustainability, governance and our response to COVID-19 remains relevant.

Correspondence (email/letter/telephone/video conference)

- The Company Secretarial team, together with the Company's Registrars, engaged with our retail shareholders to deal with enquiries relating to their shareholdings or information requests.
- 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.
- We participated in indices and benchmarks such as FTSE4Good and CDP surveys.

Interests and concerns



Outcomes from engagement

- Shareholders kept fully informed of the performance of the Group.
- Full understanding of the Board's decisions as a consequence of COVID-19 and the subsequent business restart and how this impacts them.
- Reassurance that the Group continues to be in a strong position and remains a good investment opportunity.
- Better understanding of shareholder expectations in respect of ESG matters particularly climate change risks and opportunities and how we relate to the UN SDGs.

Effect of engagement with shareholders on Board decisions

- Return of CJRS grant income.
- Review of future office space requirements.
- Cancelled the interim dividend scheduled for payment in May 2020.
- Decided to not recommend a final ordinary or special dividend for FY20 in order to conserve cash.
- Committed to science-based carbon emission targets and disclosures in line with the TCFD.
- Satisfied share schemes via market purchase rather than new issue.

↑ Barratt Homes at The Long Shoot, Nuneaton, Warwickshire.

Stakeholder engagement CONTINUED

Employees

How we engage

Health, safety and wellbeing

- Briefings, e-learning modules, screensavers, webinars, emails and videos explaining the new social distancing measures, monitoring closed sites, reopening of sites, how employees can protect themselves, what to do in the case of a suspected case of COVID-19 and control measures for completion of defect resolution works.
- Key SHE messages continue to be reiterated at the Workforce Forum meetings, and opinion sought on how to improve the safety, health and wellbeing of the workforce.
- Additional webinars and e-learning modules made available to support employees physical and mental wellbeing whilst working from home or on furlough.
- Views sought for development of an induction app and improving our SHE Management system.

Engagement survey

- Annual employee engagement survey to gain insight into the issues that matter most to our employees.
- Results shared with the teams and action plans developed to maintain or enhance employee engagement levels.
- Additional support for those divisions/regions/functions that scored low in the survey.

Culture

- Information gathered to determine the culture of the business, through, amongst other methods:
  - Divisional and site visits by members of the Executive Committee and the Board;
  - Site visits by divisional teams;
  - New starter interviews to capture their initial thoughts on the culture and the induction process;
  - Exit interviews completed internally and reasons for leaving tracked via our HR system;
  - Focus groups; and
  - Engagement Survey.

More details on our culture can be found on pages 32 to 33 and 92 to 95.

Internal communication

- Intranet, emails and newsletters used to keep employees informed of developments and important issues.
- Senior Management conference held twice a year to discuss Group performance and key areas of focus and to share ideas and best practice. Key messages and actions are cascaded throughout the organisation. Due to COVID-19 the meeting scheduled for March 2020 was rescheduled and took place virtually in July 2020.
- Weekly updates to all employees, including those on furlough, issued by the Chief Executive to inform them of matters such as pay and holiday policies, reopening of sites, FY20 bonus and share schemes.
- Dedicated COVID-19 email established for employees to air any queries, concerns, feedback or ideas. Each email was reviewed by the Chief Executive, the Company Secretary and the relevant member of the Executive team.

Interim Pulse surveys

- Undertaken on an ad-hoc basis to measure progress against action plans as a result of the engagement survey and gain feedback on our response to COVID-19.

Workforce Forum

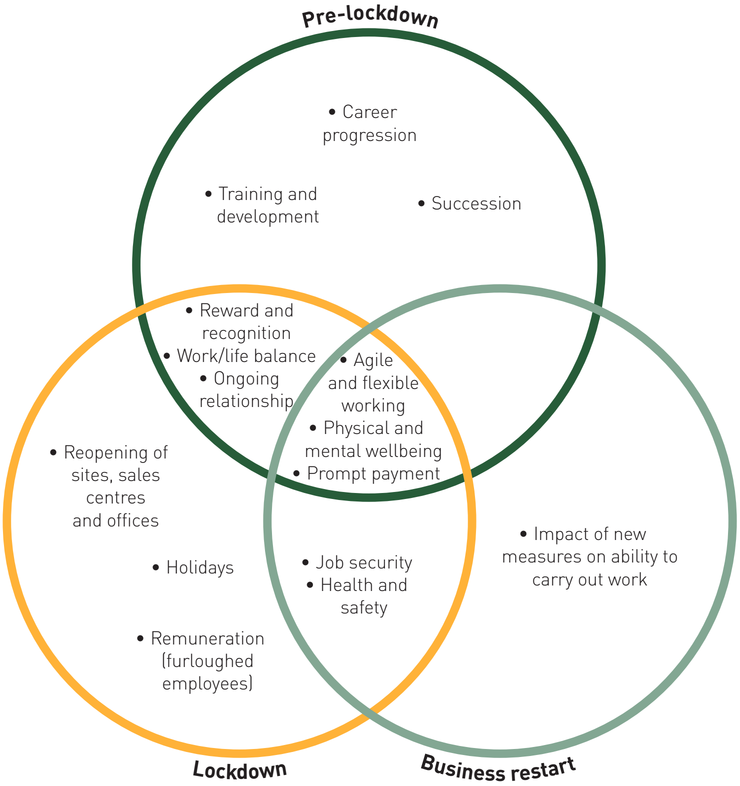
- Met twice during the year. Meeting scheduled in April cancelled due to COVID-19.
- Provided their views on the outcomes of the engagement survey, restarting the business, pay and holiday policies and how well the business has communicated throughout the lockdown.
- Members remain engaged and asked for their term on the forum to be increased from two to three years.
- Richard Akers, our Designated NED, now attends each Workforce Forum meeting and has a dedicated email address for members of the Workforce Forum to contact him directly on any matters relating to the workplace, including remuneration, on a confidential basis.

More information on the Workforce Forum can be found on page 60.

"During FY20 I attended all of the Workforce Forum meetings. I have been very impressed by the professionalism and commitment of both the Executive team and the workforce representatives. Discussions are open and very much a two-way communication, with the Workforce Forum providing numerous ideas for the improvement of diversity and inclusion, furthering our commitment to the health and wellbeing of employees, and sustainability. The end of the year was dominated by the impact of COVID-19. The Workforce Forum will be fundamental in assessing the impact of COVID-19 on our employees in FY21 and how we can better adopt new ways of working."

Richard Akers
Senior Independent Director

Interests and concerns



Outcomes of engagement

- Suggestions by the Workforce Forum on the uniforms for our sales teams, reducing the amount employees have to raise to receive match funding and the new intranet, have all been adopted.
- All divisions/functions proactively agreed and delivered 'action plans' in response to the engagement survey.
- Held focused Divisional Leadership team sessions on:
  - ownership of dysfunctional relationships where these exist and take steps to address; and
  - team collaboration.
- Agile and flexible working policies updated.
- Further enhanced our Health and Wellbeing Strategy.
- Employees returned to work following reassurance that appropriate measures were in place to safeguard their health and safety and that of their families.
- The response from the employee survey demonstrated that 93% of respondents felt that the Company's overall response to the impact of COVID-19 was good or very good.

Effect of engagement with employees on Board decisions

- Continued commitment of the Board to our employees' development, wellbeing and diversity and inclusion strategies.
- New flexible working policy introduced.
- Normal pay continued for all employees on furlough.
- Introduced a temporary holiday policy, increasing the number of days that employees could sell and carry forward to the following year. Policy extended to weekly paid employees so that they were not disadvantaged.
- Introduced a mechanism to reward those who had continued to work throughout the lockdown period.
- Introduced new social distancing measures on site to protect those employees returning to work including, but not limited to, enhanced signage, handwashing facilities, acrylic screens, PPE as well as social distancing marshals to ensure compliance and updated SHE policies to reflect the new measures.

Stakeholder engagement CONTINUED

Customers

How we engage

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.
- Our Customer Care team is available to answer queries throughout the customer journey.
- Customers are encouraged to complete the HBF Homeowner Survey and/or give us feedback through Trustpilot to help us understand their customer experience.
- During the lockdown period, tailored email communications were sent to prospective customers, those in the sales journey and homeowners to inform them of our response to the lockdown and how to contact members of the team.
- Customer Care continued to provide limited support to deal with emergencies.
- Emails sent to all customers on the restart of the business to confirm the schedule and safety precautions in place, to safeguard them and our teams on site, in our sales centres and our show homes.
- We regularly updated our websites to include the latest COVID-19 guidance, to allow customers to book virtual appointments and personalised virtual show home tours.
- Customers advised on the types of works our Customer Care teams could undertake in accordance with Government guidelines including the safety precautions needed to be taken by both the customer and our customer care operative.
- We continued to communicate via social media both reactively to deal with specific customer requests, and proactively to update customers on safety procedures, reopening of construction sites and sales centres and charitable donations.

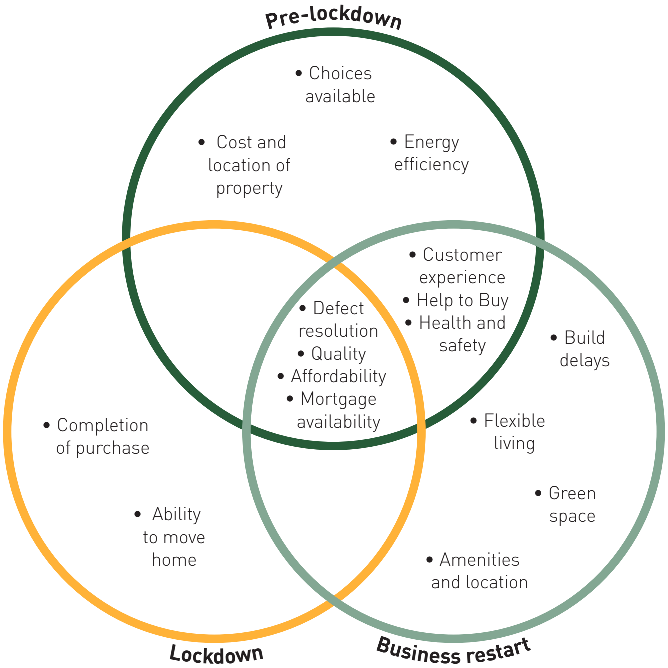
Customer research

- During FY20, we worked with customers to understand their perceptions and preferences related to sales incentives, and to gain input to our planning for enhancing our smaller product range.

Industry trends

- We contributed to an HBF consultation where customers, and their elected officials, provided feedback about a lack of redress for new build homeowners. The Government is keen to improve this by developments to the Consumer Code and launching a New Homes Ombudsman in 2021 which we fully support.

Interests and concerns



Outcomes of engagement

- Improved our sales reservation process to ensure all milestone updates are consistent.
- Developed our new CRM system and customer portal to ensure that customers have a single source of information and a central repository.
- Updated our sales schemes and incentives and launched deposit contribution schemes for the Armed Forces and NHS staff.
- Updated the design and layout of our smaller product range.

Effect of engagement with customers on Board decisions

- Defect resolution included as an element of the annual bonus scheme for FY21 to increase focus on reducing the number of outstanding defects.
- Supported a review into a smaller product range and gaining further insight into future ways of living including flexible use of internal space and more green space.
- Continue to take into account customer satisfaction when making decisions that may impact our customers.

Sub-contractors and supply chain

How we engage

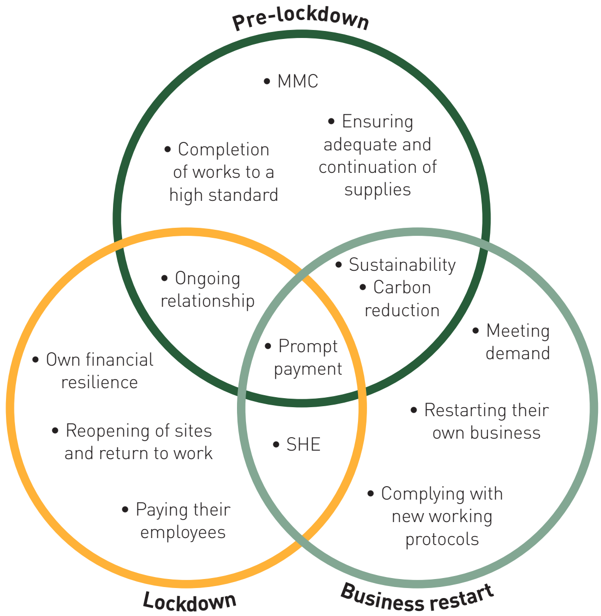
Annual supplier conference

- Conference rescheduled as a virtual meeting from March 2020 to July 2020, due to the restrictions in place as a result of COVID-19. This gave us the opportunity to reassure our suppliers of our continued relationship, understand their issues and challenges and to set out our objectives for the financial year ahead and their role in helping us achieve them.

Ongoing supplier relations

- We work closely with our MMC partners to ensure their products meet our needs and standards and that there is a smooth transition into our core business.
- We held a workshop around net zero carbon and electric only heating. We invited 22 suppliers to allow them to better understand each other's drivers and challenges.
- We remain fully supportive and engaged with the SCSS and retained our own Gold status. Our focus with key suppliers is to move from "education" to "implementation" of environmental initiatives. We have been working with SCSS to develop a performance assessment approach that will promote implementation of initiatives. This will be rolled out to our supply chain in FY21.
- We undertook surveys to understand how we could support our suppliers to reduce the use of plastic and ensure that the timber that we utilise is sustainably sourced.
- We hold regular performance and business reviews, focusing on our ongoing relationship and health and safety.
- Letters were sent to all sub-contractors and suppliers to explain our approach to temporarily closing the business and to reassure them of our continued support, particularly in terms of paying them on time.
- We engaged with our sub-contractors and suppliers on the plans and timetable to reopen our construction sites and sales centres to ensure that they were able to restart their own businesses safely and sustainably. We also notified them of the new safe working protocols that they would need to comply with in order to safeguard the health and safety of themselves, our employees, customers and the general public.
- On site materials clearly explaining site safety procedures were provided in a number of languages.

Interests and concerns



Outcomes of engagement

- Introduced the use of our innovative pre-cast insulated concrete floor solution form NuSpan and Spantherm into our core business after undergoing detailed investigation and trialling over the years since 2016.
- A number of key actions relating to technology and innovation, skills, training and research, from the net zero carbon and electric only heating workshop have been fed into our roadmap towards net zero carbon.
- Restarted on all of our sites with minimal disruption in the availability of key supplies or on site labour in line with our build requirements in a safe and secure manner.
- All on site employees aware of our safe working procedures.
- Received positive feedback about our engagement during the COVID-19 pandemic, strengthening our reputation as a trusted partner that does the right thing.
- Throughout the COVID-19 pandemic we leveraged our investment in supplier relationship development to secure supplies of PPE and other consumable material requirements directly related to new COVID-19 operating protocols.

Effect of engagement with sub-contractors and the supply chain on Board decisions

- Instigated a review to ensure that the provision of key materials were not reliant on sole providers.
- Created a sustainability supplier maturity matrix to support our supply chain in building the capacity to address future challenges.
- Agreed a science-based target to reduce scope 3 emissions for the business, and consequently reduce the emissions of our suppliers.

Stakeholder engagement CONTINUED

Local communities

How we engage

Open communication

- Views of the local community obtained prior to starting work on any site. Plans are developed based on the feedback received and members of the local community are kept fully informed of progress throughout the construction of the site.
- We visited local schools to educate the children on the construction process and the importance of health and safety around construction sites.
- Our socio-economic footprint demonstrates the value our developments create for local communities.
- We issued letters to local residents informing them of the COVID-19 working practices and protocols that we had put in place prior to the phased reopening of our construction sites and sales centres.
- We updated our social media, corporate and brand websites with videos and documents, which clearly and concisely explained our new safe working procedures to help us restart our business.
- We ensured that there was good levels of local and national coverage of our response to COVID-19, in particular:
  - Our charitable donations to the NHS, 5,000 masks to St John Ambulance and St Andrew's First Aid, defibrillators to hospitals and local fundraising by divisions;
  - Return of CJRS funding; and
  - David Thomas' opinion article in Show House magazine.
- We enhanced our site signage to clearly explain our safe working procedures.
- We briefed all of our site managers on how to address concerns from members of the public.
- We arranged for our Customer Care teams to be provided with scripts on how to appropriately address queries related to COVID-19.

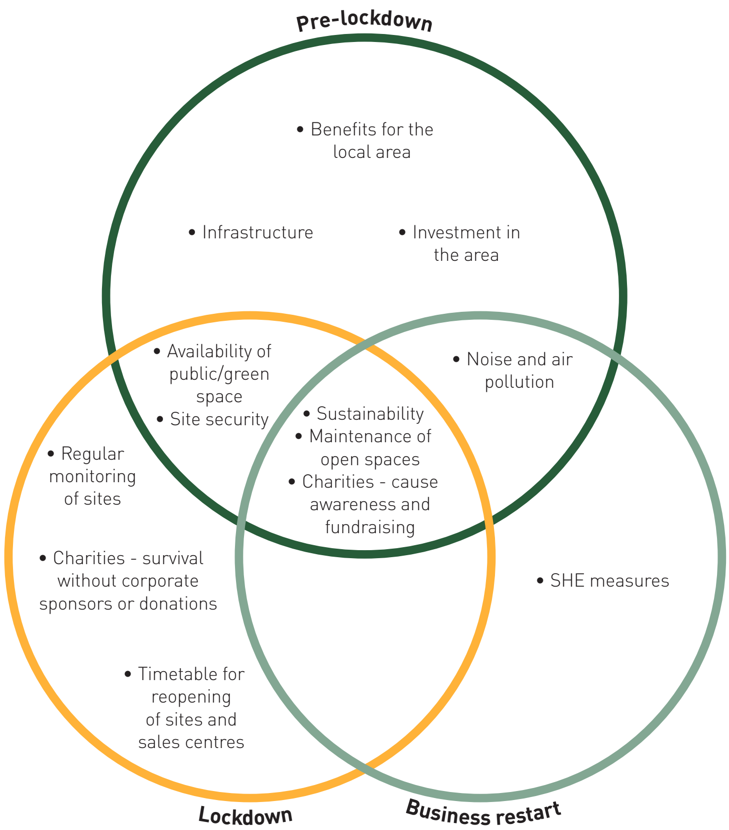
Environment

- Our social and environmental impact is an important concern to the Board and we continue to find ways to protect the environment through our operations. See Safeguarding the Environment on pages 68 to 70, and Sustainability Focus Areas on pages 36 to 37 for how we maintain and improve our social and environmental value.

Charitable giving and volunteering

- We continued to support charities at a local and a national level throughout the whole of FY20. During the lockdown period, donations were made at a Group level to support a number of charities that had been adversely impacted by COVID-19. More details on our charitable donations can be found on pages 66 to 67.
- We continued to encourage our employees to volunteer and spend time out in the community. During the lockdown period we actively encouraged our furloughed colleagues to volunteer in their local communities.

Interests and concerns



Outcomes of engagement

- Re-planning of sites to take into account needs of the community such as communal spaces, parks and schools.
- Developed mature-friendly garden guidance with the RSPB.
- Low number of complaints from members of the public about the way in which we implemented our temporary closure and restart of the business.
- Strong media coverage helped generate positive public perception of our response to COVID-19.
- Enhanced our relationship with the communities within which we operate.

Effect of engagement with local communities on Board decisions

- The Board has agreed seven UN SDGs through which we can make the greatest contribution, as more local authorities link their strategies to the SDGs.
- Renewed our commitment, and updated our Great Places design, to include more elements of importance to communities particularly health and wellbeing.

Banks and analysts

How we engage

Meetings and webcasts

- The Chief Financial Officer and Head of Treasury hold update meetings or calls after the annual results with each of the Banks in the RCF and the USPP investors. Additional calls and meetings are held as appropriate throughout the year including after our half year results.
- Half yearly events are held for the banks in the RCF and the USPP investors to mix on a more informal basis with Senior Management. Due to COVID-19, only one meeting took place in FY20.
- We held a number of update calls with our banks, USPP investors and analysts on the impact of COVID-19 on our business, how we are mitigating against this and our plans to gradually reopen construction sites and sales centres together with information on the COVID-19 working practices and protocols and measures that we would be putting in place to safeguard those returning to site and sales centres.

Mortgage lender relations

- We continue to work with mortgage lenders to encourage development of Green Mortgage products, which factor the energy efficiency of our homes into mortgage assessment processes.
- Engagement with RICS and main surveying companies, in order to collaborate with them to allow safe visits to sites.

Interests and concerns

Outcomes of engagement

- Opportunity for the Group to discuss the market environment and recent trends and for the banks to discuss the Company's latest results and broaden their understanding of the Company.
- In November 2019, we executed an extension on our RCF by a year.
- Eligible to access CCFF funding if required.
- Open dialogue with lenders for alternatives to Help to Buy.
- Updated banks, analysts and lenders of the Group's continued resilience, strong balance sheet and liquidity position.
- Introduced a facility for customers to research mortgages online with an independent specialist via a link from our website.
- Contributed to broadening the spread of lenders with New Build propositions so that customers have greater choice. Our buyers applied to over 50 different lenders during the year.

Effect of engagement with banks and analysts on Board decisions

- Decision to apply for the CCFF funding to strengthen the Company's liquidity position.
- Agreed to extend the RCF for a further year.
- Discussed investor concerns around climate risk and carbon mitigation, and our response to this.
- Committed to science-based carbon emission targets and evolving risk and opportunity disclosures in line with TCFD.

Stakeholder engagement CONTINUED

Government and regulators

How we engage

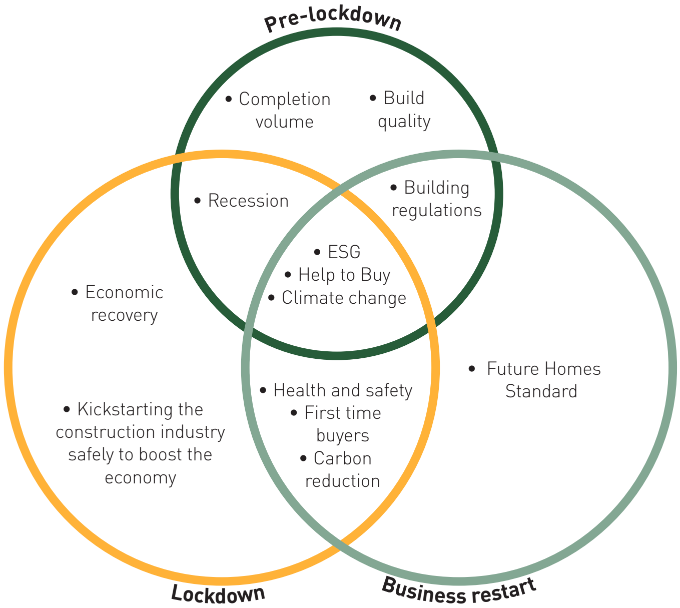
Government

- 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.
- Meetings with bodies such as the BEIS Recovery Taskforce, DEFRA and MHLCG.
- Sponsorship of the Net Zero All-Party Parliamentary Group and a signatory to the COP26 Business Leaders Group.
- Emails sent to all MPs, Council Leaders and Council Chief Executives outlining our overall approach towards temporarily closing our construction sites, sales centres, and offices. Followed by information on our phased reopening of our construction sites and sales centres and the COVID-19 working practices and protocols.
- We hosted MP site visits throughout the year.
- We attended a number of webinars and policy consultation events to understand and provide feedback on Government's plans on matters such as zero carbon homes and the Build Back Better scheme.
- We provided feedback on a variety of consultations such as the Future Homes Standard and the First Homes Scheme.
- We maintain regular contact with officials in key departments: Number 10, the Cabinet Office, the Treasury, MHCLG, BEIS, Homes England, and the Department of Health.
- Social media updates, and videos about our safe-working procedures shared by the official Number 10 Twitter account.
- We lobbied the Government to consider an extension to the Help to Buy scheme in support of those customers whose homes had been delayed beyond the build-complete deadline of December 2020.

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 welcomed the British Safety Council's request to undertake a robust COVID-19 Assurance Assessment of the COVID-19 working practices and protocols that we had implemented in order to restart our business.
- We work closely with local authorities to ensure that our developments meet the relevant planning requirements and enhance the facilities and housing within the local area.

Interests and concerns



Outcomes of engagement

- Help to Buy build complete deadline date extended enabling thousands of purchasers to buy their new homes.
- Received a COVID-19 assurance statement certificate from the British Safety Council. Protocols and associated control arrangements considered to be in accordance with current UK Government and sector specific guidelines and arrangements for continual monitoring of their effectiveness are in place.
- Contributed to initiatives to define how the Environment Bill could legislate successfully to create biodiversity net gain on new developments.
- Contributed to discussions on how to drive forward net zero homes and green growth.
- MPs saw first hand the working practices and protocols that we had implemented and how we continue to monitor them.
- Reassurance provided to the Government and the regulators that we are doing the right thing by:
  - Our employees, by keeping them safe and on normal pay;
  - Our customers, by ensuring they can complete their purchases; and
  - The general public, through our industry leading site safety protocols and charitable contributions.

Effect of engagement with Government and regulators on Board decisions

- Broad understanding of Government policy and regulation and the environment in which we operate.
- Greater understanding of the key drivers for housing policy at a national and local level and impact on the land bids.
- Better idea of the potential legislation around biodiversity net gain, and the Future Home Standards to help plan investment and set targets such as new standard housetypes designs being net zero carbon in use from 2030.

↑ Boris Johnson, Prime Minister, Andrew Swindell, Regional Director East and Managing Director Northampton, Darren Price, Project Manager, and Matt Quinn, bricklayer from our Northampton division at Willow Grove, Wixams, Bedfordshire. Image taken prior to the introduction of social distancing guidelines.

↑ Carl Sobolewski, Managing Director of our North East division, and Alex Cunningham, Labour MP for Stockton North – then Shadow Housing Minister at our development Jubilee Gardens, Stockton-on-Tees. Image taken prior to the introduction of social distancing guidelines.

Customer first

Our priorities

Britain needs more homes to address its long term housing shortage. While the industry needs to increase volumes, it must also provide quality and customer service.

Strategic priority

Customer satisfaction is 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. We anticipate our customers' needs by continuously improving the homes and places we build to meet changing lifestyles and tastes.

Our objectives

Short term

- Design, implement and update COVID-19 secure sales processes and protocols.
- Develop virtual show home tours.
- Ensure adherence to revised process and precautions for undertaking remedial work within customer homes.
- Plan and adapt our sales processes and homes for the tapering and end of Help to Buy.

Medium term

- Replace our CRM system and deliver an online portal providing customers with a repository for documentation through the sales process and beyond, as well as the ability to log any issues after legal completion.
- Develop content for customers to access regulated mortgage help, direct from our website.

Long term

- Support the HBF with the launch of the New Homes Ombudsman and supporting Consumer Code.

Value created for stakeholders

Short term

- Support our customers at this challenging time.
- Deliver homes to customers who are in the sales journey to allow them to complete safely.
- Adapt our sales process using technology to support prospective customers to purchase a new home.
- Address after care issues, prioritising those issues which cause any inconvenience for our customers.

Medium term

- Use insight gained from consumer research to improve and adapt our homes to suit the changing needs of customers.
- Work with mortgage lenders, distributors and third party providers to ensure appropriate finance is available for customers.

Long term

- Explore alternative tenures to improve affordability, allowing access to home ownership to as many customers as possible.
- Continue to improve the energy efficiency of our homes.

↓ The Mahmoud family, customers at our Westburn Gardens development in Aberdeen.

Progress

Customer service

Our purpose is to lead the future of housebuilding by putting customers at the heart of everything we do. We have made a significant investment over many years in our processes and procedures in support of this. During the year, we were awarded the maximum HBF 5 Star status for the 11th consecutive year, the only major national housebuilder to achieve this record. We continue to drive improvements to our customer journey and have adapted our processes to protect and support our customers as a result of COVID-19. In March 2020, we decided to temporarily close our construction sites, sales centres and customer care operations, with the exception of customer emergencies, in order to protect our employees and our customers. We have remained focused on the health and safety of our employees and customers, throughout this challenging time.

A range of safety measures have been introduced to our sales centres, which allowed them to commence a phased reopening from 21 May in England, 11 June in Scotland and 25 June in Wales. These measures meet or exceed government, industry and public health agency advice and include protective acrylic screens, retractable barriers, strict social distancing, and where necessary PPE, plus intercom systems and door locks to enable customers to engage with sales teams before entering offices. Visits to sales centres and physical viewings are currently only by appointment with one household visiting one property at a time. We have also signed up to the new government and industry Charter for Safe Working Practice – COVID-19, which supports best practice being adopted across the industry. We are also able to complete the sales process remotely through virtual one-to-one show home tours where required by our customers.

Since starting to reopen our construction sites in mid-May, we have completed homes to support our customers who were already in the sales process before the disruption caused by COVID-19. To do this, we developed a full suite of procedures to allow homes to be completed and handed over to customers safely. Our Customer Care teams have restarted after-sales repairs with a phased and prioritised approach, with enhanced precautions to enable social distancing during the work.

Training and development

We are committed to acting on our customers' feedback and in particular driving improvements to our training and development to improve customer experience. Our people are key to providing an excellent customer service experience and we are continuing to invest in training and development programmes for our Construction, Sales & Marketing and Customer Care teams to ensure they remain best in class.

Training has been provided to all our sales employees throughout the year including the latest measures for social distancing, customer safety and remote working. 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 all sales employees have now completed. We trained over 200 Customer Care employees on new customer handling procedures and writing skills to improve our written correspondence.

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 our website, which provides interactive site plans across all device types. These enable customers to see real time plot availability across their chosen development.

We have continued to develop an online portal to support home buyers during the sales journey and after they have moved in. In response to COVID-19 we have developed personalised virtual show home tours using mobile technology. We plan to use this technology much more going forward to support prospective customers.

Quality of our products

We deliver high quality, sustainable, energy-efficient places to live that satisfy the needs of customers and communities. We address local housing needs by providing quality housing in the right locations to create communities that are right for our customers.

Our new product ranges have been consolidated and refined to ensure consistency across the Group without affecting our quality or design standards. As part of our continuous review, we have optimised internal floor plans to achieve more usable living space for our customers.

We understand the importance of building homes that are right for our customers lifestyles. Those lifestyles can change over time and our products should too. We expect that the ability to work from home will become more important for a large number of our customers, so we are looking at options to demonstrate how work stations can be incorporated into those housetypes within our core range that do not currently include a separate work area. Our commitment to design and placemaking includes considering the wellbeing of our customers. We expect access to private external space, communal green spaces and access to walking and cycling will be even more desirable for customers going forward. See our Great places section on pages 52 and 53 for more details.

We are continually striving to improve the energy efficiency of our homes and are adapting our home designs in response to the Future Homes Standard and other changes to Building Regulations. 99% of our homes currently have an EPC rating of A or B, and we are installing smart meters on a number of our properties to help our customers limit and understand their energy and water usage.

Finance and mortgage – affordability

Following the onset of COVID-19, the prospects for the wider UK economy and the medium term impact on the new homes market remain uncertain. Key to the health of the new homes market is mortgage availability. Whilst there is a reduced level of availability of higher LTV mortgages, demand from first time buyers looking to use Help to Buy in England has been significant since the housing market reopened in mid-May.

Most of our customers require advice on mortgages and financial assistance, which they can obtain through our network of recommended independent mortgage advisers. To provide a seamless and efficient service we have an online mortgage advice service via a regulated third party to better inform our customers. We are currently trialling a regulated decision in principle functionality through this medium to support customers further.

During the year, we were pleased to announce a number of initiatives in support of getting NHS and Armed Forces employees onto the housing ladder. To say thank you to all NHS employees working hard to look after people during the COVID-19 pandemic, in May 2020 we launched a new NHS Deposit Contribution Scheme giving a 5% deposit, (up to £15,000), to help the country's 1.5 million NHS employees buy any new Barratt or David Wilson home. We have also announced a new and improved Armed Forces Deposit Contribution Scheme to help Armed Forces personnel climb the housing ladder. The scheme is available to all UK Armed Forces personnel who are currently employed by the Army, Navy or RAF, or who have left in the past 12 months, and also offers a 5% deposit contribution, (up to £15,000,) towards any new Barratt or David Wilson home.

Key material issues

- Development and training of our employees.
- Lifetime environmental performance of our homes and the buildings we build.
- Affordability.

KPIs

HBF 5 Star

(2019: HBF 5 Star)

Why we measure

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

Risks A I J K L

Industry leading quality and customer service are key to our brand and reputation, and to demand for our homes.

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

Great places
Our priorities

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.

Our objectives

Short term

- Continue to promote our Great Places principles to our customers.
- Emphasise the wellbeing benefits of placemaking to customers and other stakeholders.
- Create a net positive impact for ecology and biodiversity across all developments that we progress through planning from 2020 onwards.

Medium term

- Amend and improve our housetypes as necessary in order to meet changing planning, regulatory and customer requirements, through collaboration between divisions and the Group's technical team.

Long term

- Ensure that the Group can respond to customer needs in terms of affordable places to live, which enhance wellbeing and community connections as customer preferences adjust to new and very different needs.

Value created for stakeholders

Short term

- The designs of our homes are very important to our customers and lead to long term satisfaction. We design outstanding homes that suit our customers' lifestyles and needs, in developments that enhance existing local communities.
- Meeting the Group's hurdle rates reduces financial risk in the land purchase process. Ensuring an attractive margin protects investment for future growth.

Medium term

- We engage actively with local authorities in each of our 27 divisions, as we believe this local knowledge ensures we purchase the right land and obtain effective planning permission for our sites.
- Our planning teams build good relationships with local planners to understand their priorities and ensure our developments maximise benefit for local authorities.
- Considering environmental risks and opportunities in land buying and design ensures we retain a sustainable housebuilder reputation and can avoid adaptation and retrofit costs for our business and our customers.

Long term

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

Progress

Land bank

Our priority is to build in locations where people aspire to live. We purchase land in targeted locations which at least meet our hurdle rates. Land is our key component and our land bank remains an important driver of value as it enables us to build the right product and create the right communities, while supporting our volume delivery. Ensuring our hurdle rates are met based on current estimates of cost and income is important for ensuring the financial health of our business.

In FY20, we approved the purchase of 9,441 plots, the reduction from the prior year reflecting a pause to our land buying activity from March to August 2020 in response to the COVID-19 pandemic. In FY20, 24% (2019: 26%) of our home completions came from strategic land and we continue to target 30% of completions from strategic land in the medium term.

Our land bank measures our supply of land, being the number of plots in our land bank divided by the last 12 months of home completions. Home completions reduced in the current year as a result of the closure of our construction sites in response to COVID-19. As a result, our land bank years have increased to 6.7 years of owned and controlled land (2019: 4.7 years). This provides appropriate visibility for our immediate operational needs.

Bringing land through the planning system 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 despite the challenges posed by COVID-19. During the year we secured planning on 14,768 plots (2019: 18,280 plots). We have detailed or

→ David Wilson Homes at Gateford Park, Worksop, Nottinghamshire.

outline planning permission on all of our FY21 expected home completions and 98% of FY22 expected home completions.

Building the right homes

We build homes in locations where our customers want to live with good access to open space and amenities, transport connections, schools and workplaces. Our highly specialised divisional land teams have extensive local knowledge and strong relationships with landowners. This, combined with detailed research into local market conditions, means we are able to secure land in locations of strong customer demand, which can drive higher returns. Our land buying also reflects Government policy towards affordable housing and first-time buyers.

We aim to build high quality homes that are long lasting and energy efficient for our customers. We have set a target to ensure new standard housetype designs will be net zero carbon in use by 2030.

We have a standard housetype range for both Barratt and David Wilson, with the most popular and build-efficient housetypes featuring prominently in the core ranges. We continuously review, consolidate and update our housetypes in response to customer, divisional and design feedback. These ranges comprised 60.2% of homes completed in the year (2019: 36.4% of homes completed). Feedback from building teams continues to be positive; sub-contractors like them because their simpler designs and footprints mean they are easier and quicker to build. The Group's central Technical team continues to assist divisions and their external consultants in choosing the right housetypes in the right places, to ensure plotting efficiency while not compromising on quality or design.

We continue to adapt our housetypes to emerging legislative requirements, such as mitigating overheating in standard apartment and housetypes, the Future Homes Standard, National Space Standards and Mobility Building Regulations, without compromising to architectural value and quality of design.

Designing great places

Placemaking principles are fundamental to our business: our customers want to live in great places that create a positive legacy. Our internal 'Great Places' principles, aligned to the Government endorsed Building for Life 12 criteria, ensure that our developments have well connected streets and spaces. We seek to retain existing features that have a positive impact on ecology, and we design our developments to include these areas.

In FY20, we upgraded our Great Places guidance to increase focus on how the design of our developments supports good physical and mental health, and helps to improve people's wellbeing. We shape our developments around green spaces, walk ways and cycle paths to integrate healthy activities and experiences into people's everyday lives. This encourages social interaction between the users of the development and developing a sense of ownership and pride in the surroundings. We have also emphasised that all the individual elements of placemaking and design should work together to contribute to the overall sense of quality.

The continued focus on placemaking has continued our ongoing success in achieving Built For Life accreditations. We have now achieved 93 accreditations, of which 23 have been rated Outstanding.

Water efficiency

We are currently working with a water utility company to investigate opportunities for further collaboration on smarter meters to identify leaks and benchmark use. Guidance has been provided to divisions with the aim of increasing uptake of infrastructure credits for homes with high levels of water efficiency.

Biodiversity

An in-depth Biodiversity Net Gain good practice guide for our technical, commercial and construction teams has been developed in conjunction with working groups set up to share and encourage best practice. Our expert Biodiversity Manager hosts net gain training events for technical and land teams in our divisions. Three case study developments were selected to build capacity across our divisions and to test our biodiversity net gain framework, and we will be sharing the information with our partners such as the RSPB.

We have launched an initiative to encourage the uptake of swift bricks in the ten 'Swift Cities' identified as having experienced the steepest decline in swift populations. We have also set ourselves a target that all of our show home gardens should be rated 'Bronze' or better for their wildlife friendly credentials by the RSPB with 42 of our show homes having achieved the certificate. We have also contributed to the British Standards Institute consultation on biodiversity net gain.

Key material issues

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

KPIs

6.7 years

Owned and controlled land bank

(2019: 4.7 years)

Why we measure

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

9,441

Land approvals (plots)

(2019: 18,448)

Why we measure

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

Risks B C D I J L

The inability to secure sufficient consented land and strategic land options at appropriate cost and quality would affect our ability to provide attractive developments that address the housing shortage. A failure to collaborate with our partners would restrict development opportunities.

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

Leading construction

Our priorities

The long term 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 continue to work with our partners to develop MMC at scale, to increase build efficiency whilst minimising the environmental impacts of construction.

Our objectives

Short term

- Ensure sites can operate safely and efficiently in response to COVID-19 and that quality of build remains a key objective.
- Continue to increase use of MMC.

Medium term

- Develop our 2040 roadmap for reducing waste.
- Make further progress towards achieving scope 1 and 2 carbon emission reduction targets by reducing diesel emissions from plant and equipment on our construction sites.
- Continue integrating Oregon into our business and working towards our MMC target.

Long term

- Deliver 25% of completions using MMC by 2025.
- Improve data quality, availability and learnings from the AIMCH research to open up new opportunities for improving and increasing modern methods of construction, minimising resource use, and waste generation.
- Minimise diesel use on our sites.

Value created for stakeholders

Short term

- We build outstanding quality homes for our customers and we seek to ensure that our sites are well managed and safe for our employees and sub-contractors.

Medium term

- Protect the natural environment by using MMC, minimising resources used and waste created from our operations.

Long term

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

Progress

The long term housing shortage in the UK has increased demand for new homes, which has resulted in pressures on the availability of materials, skilled labour and sub-contractors. In response to these 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.

Delivering high quality homes

We are committed to playing our part in addressing the housing shortage. Building high quality homes is a key priority for business resilience over the longer term and attracting ongoing customer demand. We put customer satisfaction at the heart of our construction processes with a focus on getting things right first time. This also drives operating efficiencies in the build process.

Prior to the onset of COVID-19 and the closure of our construction sites, we were making good progress on our target to increase volumes. The unprecedented impact of COVID-19 and the closure of our construction sites has significantly reduced our total home completion volumes this year to 12,604, (2019: 17,856).

→ An Oregon timber frame home being constructed at Heritage Grange, Edinburgh, Scotland.

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 safe, well-managed sites. This has become even more important in the wake of COVID-19. The reopening of our sites from 11 May 2020 was undertaken in a safe, controlled and efficient manner. Detailed Construction Recommencement Plans where provided to construction teams to assist in the process as well as detailed briefings to our sub-contractors and suppliers. Our enhanced COVID-19 working practices and protocols are in place on all of our construction sites. These working practices and protocols meet or exceed current government, Public Health authorities and Construction Leadership Council guidance. The proper management of sites supports our principle of Keeping People Safe. See pages 62 and 63 for more details on the changes we have made to adapt our sites.

Our long term focus on quality and site management is demonstrated by our success in the NHBC Pride in the Job Awards, which recognise site managers who achieve the highest standards in housebuilding across the UK. In January, Mark Summersgill, a site manager from our North East division, was named Supreme Winner in the Large Builder category for the 2019 NHBC Pride in the Job Awards. In June 2020, our site managers won 92 (2019: 84) awards, more than any other housebuilder for 16 consecutive years. This achievement demonstrates the high standard of work that our site managers and their teams deliver, and it also helps highlight our high standards and quality to our customers.

Innovating to improve efficiency

During the year, we have delivered 21.0% of our total home completions using MMC. As a result of COVID-19, there was a delay to the delivery of home completions, which meant we delivered less homes using MMC than planned for in FY20. Despite these challenges, we have made good progress towards our target of 25% of completions using MMC by 2025, a target set after achieving our previous goal of 20% of units.

MMC provides opportunities to address the skills shortage facing the industry, diversify the types of materials we use and build with greater speed and efficiency, while also delivering returns for our investors. We now have experience of over 100 sites where we have applied one or more MMC solutions. We have collected knowledge which has allowed us to clearly define the key criteria needed to both obtain the benefits of MMC and deliver a successful site. This has meant we are now able to use MMC under the correct circumstances to compete with traditional brick and block construction, mainly due to the time savings we have been able to obtain. Details of the MMC used during the year can be found in the table below.

MMC	FY20	FY19
Timber frame	**2,031**	2,321
Roof cassettes	**269**	1,699
Offsite ground floors	**143**	718
Large format block	**209**	242
Light gauge steel frame	**–**	63
Offsite garages	**–**	17
Total[1]	**2,652**	3,609
Percentage of completions[1]	**21.0%**	20.2%

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

Key material issues

Our approach to health and safety.

- Lifetime environmental performance of the 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).

KPIs

12,604

homes

(2019: 17,856 homes)

Why we measure

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

7.70 tonnes

per 100 sq.m. of build

Waste intensity

(2019: 6.53 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 E F I J L

Delays in build programmes, poor product quality, or a failure to maintain sufficient material and sub-contractor availability could hinder the achievement of excellence in construction, harming reputation, increasing costs, reducing revenue and resulting in litigation and uninsured losses.

Leading construction CONTINUED
Our priorities

> "A key aspect of our MMC and carbon reduction strategy is the delivery of timber frame homes."

A key aspect of our MMC and carbon reduction strategy is the delivery of timber frame homes. Timber frames are built in factories to high standards, and provide a low carbon cost method of construction with low levels of embodied carbon. In June 2019, we acquired Oregon, a manufacturer and previously one of the Group's valued suppliers of timber frames. During the year, we have integrated Oregon into the Group. Our core English housetypes have now been designed to reflect the use of Oregon timber frames and we delivered 469 timber frames from Oregon to our sites this year.

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. We are partners in the AIMCH project, jointly funded by Innovate UK and the private sector to identify, develop and grow new housebuilding technology. We have held numerous visits to MMC sites with suppliers and peers across our sector to show them how we are delivering MMC and the challenges posed. We recognise it is critical the whole sector takes on MMC and delivers robust solutions, and therefore important we share our knowledge.

Technologies new to us 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.

Waste and resource efficiency

The industry is seeing high levels of demand for materials, many of which cause environmental and social impacts in their extraction, manufacture and transport, so it is important that we focus on waste and resource efficiencies.

↓ Mark Summersgill, Site Manager and the Supreme Winner in the Large Builder category at the NHBC Pride in the Job Awards.

We continue to focus on being efficient in skip utilisation and segregation; however, our diversion of waste from landfill reduced during the year to 96% (2019: 97%).

Though our absolute waste tonnage reduced by 16%, waste intensity has risen 18% compared with last year to 7.70 tonnes per 100 sq.m. build area (2019: 6.53 tonnes per 100 sq.m. legally completed build area). We were aware of some increase in waste tonnage from our operations; however, the increase has mostly been driven by the delay in legal completions resulting from COVID-19. We therefore recognise that waste must remain a priority area if we are to meet our 2025 target of a 20% reduction on 2015 levels. Our approach will be to conduct analysis of the data from each of our construction sites, and to use these insights to drive performance across every area. We will increase our waste management efforts and bring in leaner and more efficient working methods.

As part of efforts to investigate the root causes of waste, we conducted a survey of 72 suppliers to investigate the extent and types of single use plastic packaging on site identifying opportunities to reduce it through collaboration. Our latest ASPIRE graduate cohort followed this with a study to assess the plastic waste created on two different sites across a number of sample plots resulting in a set of recommendations to reduce it, such as improving recycling facilities and awareness materials in site cabins.

To investigate the potential of MMC to reduce waste, we completed an audit into the impacts of timber frame on waste generation in the construction process. This small-scale study found that a traditionally built home generated 25% more waste than its timber frame equivalent. We are taking action to find ways to reduce the amount of waste generated by timber frame homes even further.

21.0%

Percentage of home completions using MMC

(2019: 20.2%)

96%

Percentage of construction waste diverted from landfill

(2019: 97%)

← Above and left: Oregon timber frame installation at Heritage Grange, Edinburgh, Scotland.

Investing in our people

Our priorities

The housebuilding industry continues to face a skills shortage. We are playing our part to 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.

Our objectives

Short term

- Increased online training and development, which is available to all employees, and is designed to fit around their schedules and facilitate learning at their own pace.
- Manage our social media platforms to ensure our employer brand is enhanced.
- Support employees following restart in their adjustment to new ways of working.
- Continue to support the health and wellbeing of all employees.

Medium term

- Reconfigure our existing recruitment programmes to explore modern methods of delivery.
- Enhance our resourcing and onboarding strategy to ensure our recruitment and resourcing model can be delivered through online mechanisms.
- Reward and recognise employees with enhanced benefits via an easily-accessible online benefits platform and bespoke employee communications to raise awareness of what we offer.
- Continue to listen and respond to the feedback from our Workforce Forum.

Long term

- Continue with our diversity and inclusion strategy, to create an environment where everyone: feels like they belong; can be themselves; and knows that their voice will be heard.
- Reward and recognise our diverse range of employees and provide segmented benefit offerings.
- Continued enhancement of the health and wellbeing of all employees based on mental, physical and financial wellbeing.
- To conclude our strategy to achieve a future-proof, integrated HR payroll system.

Value created for stakeholders

Short term

- We will continue to develop high potential employees, and create more opportunities for young people by extending our apprenticeship offer including non-trade disciplines.
- Recognising the specific needs of our sector, we continue to raise awareness of effective ways our employees can support and improve their mental, physical and financial wellbeing.

Medium term

- By ensuring our employees have the right skills at all levels, we will continue to provide excellent award-winning quality and service for our customers.
- Our Customer First Employee Recognition Scheme recognises our employees who go 'above and beyond' for both external and internal customers.

Long term

- We comply with relevant Government and Regulator guidelines including the Health and Safety regulations, Gender Pay Gap Reporting and Diversity and Inclusion. We are an accredited Living Wage Employer.
- Our long term focus is to ensure our business is representative of the communities in which we operate, and our programmes to address the skills shortage in our industry.

Progress

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 engaging with our employees, promoting their wellbeing, investing in their development, recognising their dedication, and ensuring our employee packages are effective and competitive. We are committed to becoming a more diverse and inclusive company. Having a diverse team creates a stronger, more dynamic business, makes us a more attractive employer, and is better for our customers.

The development and training of employees

We are playing our part to address the industry skills shortage and to reduce its impact on our business. We have a number of award winning and well-established development programmes which have continued to be successful during the year.

In total we have developed or are developing 100 delegates through our Armed forces transition programme, 30 of whom are currently on programme. We have found that the skills developed in the Armed Forces translate well to site management, and the scheme has brought a large number of high calibre individuals into our business.

To date, 168 people have completed or are working towards our Residential Construction and Commercial degree at Sheffield Hallam University, and 32 have graduated with a BSc Honours degree.

Following the success of the Higher and Degree Apprenticeships, we are now working with Sheffield Hallam to develop a similar qualification for our Technical departments. This will support individuals who are looking for a career in Technical Design and/or Project Management.

Our new programme for bricklaying and carpentry apprentices enables participants to achieve apprenticeship level within a reduced time frame. Our schemes focus not only on bringing new talent to the industry but also on retaining it for the future. To date, 119 apprentices have attended and 112 apprentices are due to complete the course in FY21. We currently employ 492 apprentices, graduates and trainees, around 7% of our workforce. A further 57 apprentices have been recruited in FY20 for our FY21 intake. Whilst COVID-19 has resulted in us being able to bring fewer apprentices into our business at the start of FY21, apprenticeships remain a vital route to develop skilled tradespeople for our industry.

We can also address the skills shortage and prepare for the future by developing our people across all aspects of the business. In November 2019 we launched the MyLearning Mobile App, providing our colleagues with even more flexibility and choice in how they access and consume learning content.

We want to support our leaders and managers of the future, and effective succession planning is an important element in our long term success. In FY20, 227 high potential employees have attended or are attending our Rising Stars programme. We recently launched a more robust development programme for our potential future leaders and in FY20, 16 completed our assessment process.

Following the onset of COVID-19, we identified a greater need for development and training of our employees as they adjusted to different ways of working or a temporary suspension of their role. Through a combination of online training activities and short webinars we were able to provide training and development to all our colleagues including those on furlough. The emphasis was on our employees' health and wellbeing and in total over 23,000 learning activity completions were recorded in March, April and May 2020. The average number of unique users using our online platform over the same period was 2,700 per month, compared to an average of 2,000 per month last year.

We achieved 4.1 training days on average per employee (FY19: 4.7 days) maintaining our target of over 4.0 days training days per employee on average. This slight decrease is a result of our being unable to deliver classroom-based training for four months of the year due to COVID-19.

How we recruit and retain the best talent

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

For our 2020 recruitment, 25% (2019: 21%) of our apprentices were recruited from the most deprived areas according to the Index for Multiple Deprivation.

Our Construction and Sales Academy programmes develop talent within our business and we continue to work with the House Building Skills Partnership. We have developed a new sales apprenticeship, aimed at Sales Development Coordinators and Sales Advisers, focusing on customer service in a sales discipline and delivered over 12 months. Additionally, we are exploring a Digital Marketing apprenticeship, aimed at Marketing Coordinators, Marketing Executives or Marketing Managers, who wish to gain further qualifications.

↓ Harrison Godfroy, a commercial apprentice in our Southampton division.

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 employees.

KPIs

84.2%

Employee engagement 2020

(2019: 84.5%)*

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. Surveying employees shows we care and have the courage to listen to them. We asked questions that can help drive actions.

* Our 2019 engagement score was been re-calculated (from 82%) to use our updated 2020 definition. As part of the transition from our previous independent provider, we made a planned change to the definition of the Engagement Index in 2020. We replaced an engagement measure with a more valid and robust measure of engagement.

Risks G H I J L

The provision of a safe working environment is a fundamental priority; without looking after the health and wellbeing of our employees, including in regard to the short and long term impacts of COVID-19, our employees could not work with confidence.

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

Investing in our people CONTINUED
Our priorities

Our updated careers website and new applicant tracking system provide an integrated recruitment process, improving on the experience and efficiency for candidates, with over 26,000 applications since its implementation. Our increased use of social media linked to this system enables us to better understand our audiences, what information channels they use and what business highlights they want to hear about. It has also resulted in increased interest in our opportunities – for example our Trade Apprentice programme saw twice the volume of applicants during this year's campaign than previous years.

We have incorporated video interviewing technology into the recruitment process, providing further opportunities for efficiencies as well as allowing candidates to get closer to our business and the teams they will potentially be working with, early in the process. We will continue to enhance our resourcing and onboarding strategy to ensure our recruitment and resourcing model can be delivered through online mechanisms.

In response to some of the findings from the engagement survey, we are working to improve the visibility of career paths in all functions and we are proactively prioritising and tracking internal promotions.

Remuneration and benefits are an important element of employee retention. We continue to review our employee packages to ensure they are effective and competitive. We carry out biannual market benchmarking and revise our internal performance related salary increments to ensure competitiveness and proactively adjust salaries. Due to COVID-19, we did not annually review salaries for FY21.

In April 2020, we invited all eligible employees to participate in the 12th 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 2020, approximately 51% of employees participated in one or more of the active Sharesave schemes, compared to 46% as at June 2019.

We are pleased to be listed in the Glassdoor Employees' Choice Awards, recognising the 50 Best Places to Work in 2020. There is no self-nomination or application process, instead we have gained this position entirely based on current and former employees voluntarily and anonymously sharing insights and opinions about us.

As a result of our ongoing efforts in this area, and the uncertainties created by COVID-19, our total Group employee turnover has reduced to 10% for the year to 30 June 2020, (2019: 16%) ahead of our target of 15%.

How we are creating opportunities for young people

We engage with our future workforce through our work with schools, national apprenticeship bodies, universities and Armed Forces resettlement organisations. This includes getting involved with campus activities, attendance at Careers Fair and employer led events.

In January 2020 we launched our Higher and Degree Apprenticeships in Residential Construction and Quantity Surveying, which build on our existing degree and provide enhanced learning for those on programme. This includes on the job training to ensure their academic learning is applied in their roles, a work based learning coach who guides them through the programme, and support in working towards professional accreditation. In the last three years, 72% of those who have graduated with the Residential Construction Degree have been promoted during their time on programme and 53% of them were in management and senior management positions by the time they finished.

How we are engaging with our employees

We seek to create a great place to work, founded on an open and honest culture. To achieve this we need to regularly engage with our employees to understand and address their issues and concerns. Our Group engagement score has been in the upper quartile consistently since 2014.

As part of our embedded approach to engagement, all divisions and functions proactively agreed and delivered action plans. Interim Pulse Surveys were carried out in specific teams to support and improve engagement where appropriate.

Our Workforce Forum, comprised of employees representing all regions and levels of our business, continues to meet and provide insight to inform our actions. We share our engagement results with the Forum and seek recommendations on all aspects of our business which impact our people. See pages 42 and 43 for more detail.

Promoting the physical and mental wellbeing of employees

During the year, we continued to progress our health and wellbeing strategy, endorsed by the Chief Executive and the Executive Committee. This includes health and wellbeing hubs on every site and in every divisional office, stress awareness training for employees and mental health awareness training encouraging openness and appropriate responses between line managers and colleagues.

Mates in Mind 'Manage the Conversation' training was rolled out to all line managers to provide them with the skills and confidence to listen and talk to someone who feels they need to share a problem regarding their mental health. We also introduced annual health checks via drop in medicals in offices and on sites so all employees benefit from access to a health check.

Our focus on health and wellbeing resulted in being shortlisted for the prestigious Personnel Today Health and Wellbeing Award.

Throughout the COVID-19 pandemic, one of the Group's key objectives has remained the health and safety of its employees. Our colleagues needing to self-isolate were immediately reassured that they would be provided with special paid leave, over and above SSP. When schools closed, all employees with childcare responsibilities were given one week of special paid leave to enable them to make necessary arrangements.

When our construction sites, sales centres and offices closed, the Group furloughed the majority of employees, and maintained their normal pay. All employees who were not shielding returned by 30 June. We have committed to paying those who are required to follow shielding advice as normal. We have also provided some employees with additional special paid leave as a thank you for their hard work.

Throughout the pandemic, we have endeavoured to support the physical and mental wellbeing of our employees. Weekly communications from our Chief Executive to all employees included valuable health and wellbeing support information. We partnered with our benefits providers to offer training to support physical, mental and financial wellbeing, and our Talent team provided regular in-house mental wellbeing webinars. We issued a 'Working From Home Guide' to all employees, and specific support was provided for those balancing work whilst home schooling.

Diversity and inclusion

We seek to build without barriers and we have continued to implement our diversity and inclusion strategy to achieve this.

The diversity policy relating to the appointment of PLC Directors is set out on page 103.

Male and female employees

PLC Directors

	2020	2019
Male	**63%**	63%
Total	**5**	5
Female	**38%**	38%
Total	**3**	3

Senior Managers

	2020	2019
Male	**86%**	85%
Total	**246**	247
Female	**14%**	15%
Total	**40**	43

Employees

	2020	2019
Male	**69%**	69%
Total	**4,391**	4,288
Female	**31%**	31%
Total	**1,970**	1,918

Executive Committee

	2020	2019
Male	**67%**	67%
Total	**4**	4
Female	**33%**	33%
Total	**2**	2

Reports to Executive Committee

	2020	2019
Male	**67%**	68%
Total	**24**	21
Female	**33%**	32%
Total	**12**	10

We aim to create an atmosphere that provides equal opportunities for all. Selection for employment and promotion is based on merit, following an objective assessment of ability and experience, 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.

All new employees receive mandatory diversity and inclusion training as part of their induction and we have continued to deliver our Building Without Barriers workshop to newly appointed or promoted leaders.

We have improved across all our diversity metrics, with most significant progress being made in female and BAME leadership representation. At 30 June 2020, 7% of employees were from BAME backgrounds (2019: 6%) and 2.1% of senior leadership positions were held by BAME employees, (2019: 1.8%). We still have some way to go in this area, and in the last year we have looked in more detail at how we can improve. We held focus groups to hear colleagues' perspectives on what it's like to work at Barratt, and to understand what we should do differently. We used this information to help create our BAME Strategy, which we launched at the start of the year. We have recently signed up to the Business in the Community Race at Work Charter, which supports the actions set out in our BAME strategy and our aim to ensure that ethnic minority employees are represented at all levels in our business.

We have continued our focus on female leadership development with our Catalyst diversity mentoring programme. This year over 60 delegates were nominated and have been enrolled on the programme. We have also matched 120 people as part of our reciprocal mentoring programme. We launched our first employee network, which is focused on gender equality, and the committee of the network have taken a number of initial actions. At 30 June 2020, women held 14% (2019: 15%) of senior manager roles within the Group.

The requirement to publish a Gender Pay Gap report in 2020 was suspended by HMRC due to COVID-19. However, as a business, we agreed that it was important to keep stakeholders informed of our gender pay position. Accordingly, we will be publishing our report in September 2020.

We have revisited our policies and changed the language in our family friendly policies to make them gender neutral. We have also introduced paid leave for carers and those undergoing assisted fertility.

In 2020, for the first time we made a submission to the Stonewall Equality Index and we are reviewing the feedback from our submission to ensure we continue to develop actions which demonstrate our commitment to the LGBT+ community.

Every effort is made to retain and support employees who become disabled while working within the Group. We completed an initial disability access audit of all our divisional offices. Our intention in the coming 12 months is to seek to remove physical barriers for disabled colleagues or applicants.

We have redefined our Agile and Flexible Working policy to give line managers greater freedom to respond to requests, and to monitor and ensure the effectiveness of those with different working arrangements.

Human rights and Anti-bribery

During the year, we received Living Wage accreditation, showing our commitment to our employees by paying an independently calculated rate of pay that is based on the actual cost of living.

Our respect for human rights underpins our strategic priorities. 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 118.

Our non-financial KPIs in respect of health and safety, and employee engagement reflect our belief that it is a fundamental human right to work in a safe and supportive environment. Employees undertake training in respect of modern slavery and we are 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.

Keeping people safe

Our principles

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

Strategic priority

Health and safety is a fundamental priority. All of our people are responsible for achieving our commitment to the highest industry health and safety standards.

Our objectives

Short term

- We continue to evaluate our processes to ensure that we respond to any Government or public health guidance on controls for COVID-19.

Medium term

- We will continue to work with our suppliers and contractors to improve systems and processes and in particular controls for plant and equipment on site.

Long term

- 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 are enhancing our site induction process with an off-site element, which will be completed via a mobile app. This will enable a passport to work on our sites, complemented by a site-specific induction process.

Value created for stakeholders

Short term

- A key objective is to provide a safe working environment for all our employees, sub-contractors and customers, especially in response to COVID-19. We will ensure our COVID-19 working practices and protocols remain in line with the latest Government, Public Health and Industry guidance.

Medium term

- We continue to engage with our sub-contractors in developing appropriate management systems to enhance their controls on our sites.

Long term

- 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.

↓ Bruce Constantine, Commercial Director, and Paul Ley, Construction Manager, in our Kent division.

Progress

We prioritise health and safety across our business and seek to manage the inherent risks by applying our management system across our operations and continuously reviewing our safe systems of work.

The challenges this year were increased by the COVID-19 pandemic, which required us to implement controls to ensure the safe lockdown of our operations and enhanced safe systems of work to enable our operations to recommence. Plans were developed based on Government, Public Health and Industry guidance, and in consultation with colleagues and other stakeholders who would implement our enhanced COVID-19 working practices and protocols.

We have put in place controls to ensure social distancing and hygiene measures are implemented on our construction sites, and we developed a new set of working practices and protocols to ensure our sales and customer interactions could be undertaken in accordance with relevant Government guidelines.

To assist all our stakeholders in understanding these controls, we provided guidance and advice as well as videos demonstrating the measures put in place. We have also liaised with our stakeholders on the controls that they consider appropriate and adapted and amended our approach where required.

Our colleagues have been key to implementing the enhanced controls. We provided e-learning modules for our management, construction and sales teams, and once our operations recommenced, carried out wellbeing surveys to enable us to further understand how our teams consider the COVID-19 controls have been implemented and reflect on any learning outcomes.

Our key objective with recommencing operations was to ensure we minimised the risk of spread of infection. We have received an Assurance Statement from the British Safety Council certifying that our COVID-19 workplace safety, health and environmental arrangements are in accordance with current guidance and best practice, demonstrating our commitment to providing a safe and healthy workplace.

We have enhanced our approach to inductions on site and have worked with 'Site Safety Systems' to develop an induction App linked to industry wide competency cards. This will provide a more user-friendly approach to recording inductions of site workers and ensuring they have the required competency to carry out the tasks necessary.

We have also continued to develop an App for recording incidents and accidents, near misses, environmental incidents, non-conformances and good practice, providing an increased ability to evaluate trends and consider any improvements.

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, which assures all of our operations. Our SHE audit compliance scores and IIR are assured in accordance with ISAE 3000 revised.

Positive engagement is key. Our team in the Midlands has facilitated a group with the Working Well together campaign, which has promoted collaboration with others in the sector, suppliers and contractors, and organised events such as health, safety and awareness days.

Our approach to health and safety

The wellbeing, health and safety of all affected by our operations, including the local communities in the locations we build, is of paramount importance.

The Group's dedicated SHE team has considerable experience in providing proactive support and advice to our teams and an reactive incident led approach to identify and mitigate health and safety risk.

We issued updates to our SHE management system in January 2020, reflecting our continued drive to improve all our processes and procedures. These updates are a result of feedback and consultation with our teams, on their implementation of requirements, and any learning from incidents or near misses.

Compliance to our SHE management system is verified by a programme of site monitoring and internal and external audits. During the year, our in-house team carried out 5,968 (2019: 6,916) monitoring visits and an average compliance rate of 96% (2019: 96%) was achieved. Our internal audit programme of all our operating divisions was interrupted by COVID-19, but we have committed to complete those locations that were not reviewed in the first quarter FY21.

We believe all injuries are avoidable and, whilst it is not possible to entirely eradicate risk, we are determined to improve our performance and reduce the number of injuries occurring in our working environment. The Group IIR for the year is 256 (2019: 297) per 100,000 persons employed (including sub-contractors). We are pleased with this reduction but are committed to continuing to improve.

We have continued to work with our suppliers to reduce the risk of falls and, in conjunction with one of our suppliers, we have developed an interactive tool to allow our teams to better interpret the requirements for protecting stairwell configurations during construction. We will continue to collaborate with our suppliers and contractors to improve our processes and in particular controls for plant and equipment on site.

Engagement with our stakeholders is key to improving our operational health and safety standards. We continued to engage with our groundworks contractors in developing appropriate management systems to enhance their controls on our sites. This continues to be a positive intervention strategy and although COVID-19 interrupted progress, we continue to work with this group of stakeholders to improve standards on our sites.

Promoting physical as well as mental wellbeing

We recognise that positive emotional wellbeing and mental health is fundamental to colleagues and our continued business success. We already had support structures for our colleagues and in conjunction with our key partner Mates in Mind have complemented this by providing mandatory mental wellbeing training to all our line managers, including identifying signs within self and others. We will enhance this programme by providing mental health first aid training for colleagues to provide initial key support within our workplaces.

We have continued with our strategy to improve the focus on occupational health, conducting awareness campaigns on mental wellbeing and general health issues that could affect our workforce.

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

Key material issues

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

KPIs

96%

Health and safety (SHE monitoring compliance)

(2019: 96%)

Why we measure

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

Risks mitigated by this principle G H

Prioritising the safety of our employees minimises SHE incidents. Looking after their health and wellbeing over the long term, including in regard to the impact of COVID-19, gives employees the confidence and ability to provide industry leading performance and contributes to the creation of a great place to work.

Being a trusted partner

Our principles

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

Strategic priority

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.

Our objectives

Short term

- 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.
- Highlight and address potential supply performance risks, including through our strategic supplier capability assessment.

Medium term

- Work with our suppliers on ways we can manage and reduce embodied carbon in our supply chain.
- Adapt our business and supply chain requirements to meet the Future Homes Standard.

Long term

- Work with our offsite partners on more advanced forms of MMC.
- Investigate, develop and grow industrialised offsite solutions to meet housing demand through our AIMCH project.

Value created for stakeholders

Short term

- Ongoing engagement with suppliers, particularly as the impact of COVID-19 evolves, is important to help them identify risks and plan accordingly to ensure they can meet our demand.

Medium term

- 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.
- We are developing offsite solutions to reduce embodied carbon and make our operations efficient and effective.

Long term

- 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. It is essential for us to build good, long-lasting relationships that make us the developer of choice to work and partner with.

Progress

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. It is vital that we have good relationships with landowners and other partners to ensure we are their developer of choice. We have a comprehensive Group Partnerships Policy to ensure proper engagement with our key land partners and stakeholders.

Working with our suppliers and sub-contractors

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 continuously communicate with our suppliers, holding regular performance and business reviews focusing on our ongoing relationship and health and safety. This engagement has become vitally important during the COVID-19 pandemic. We are committed to providing a safe place in which our employees and sub-contractors can work. We engaged with our suppliers throughout the lockdown and remobilisation periods of our site operations to ensure we had clear visibility of each other's plans. This exchange of business planning information, such as our build programmes and their manufacturing plans, enabling a smooth transition between our respective operational phases.

The procurement for the majority of our construction materials, site equipment and business consumables is centralised. This arrangement enables us to manage supply, 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 to help them identify and address opportunities and mitigate risk. Through the COVID-19 pandemic we have been able to leverage our investment in supplier relationships to ensure we have appropriate supply of scarce resources such as PPE and other consumable material requirements directly related to new COVID-19 operating protocols. We have also been able to ensure that whilst our supply chain returns from hibernation and material supply in some areas is constrained, they support our build requirements as required.

We are focused on the measurable steps that we can take to reduce both the embodied carbon in our supply chain and in-use carbon from our homes. During the year, we set a science-based target to reduce indirect carbon emissions by 11% from our supply chain and our homes by 2030. Our scope 3 data is reported on page 235. Partnerships with our suppliers are key to the delivery of this and we shared our goals and key actions with suppliers at our virtual supplier conference in July 2020. We remain fully supportive and engaged with the SCSS and retain our own Gold status. Our focus with key suppliers is to move from "education" to "implementation" of environmental initiatives, with a target of 50% of our high carbon intensive suppliers, measured by spend, to be members of the school by FY21. To support our suppliers we have developed a performance assessment approach with the school, launched after our conference that will promote implementation of initiatives.

We are signatories to the Gangmasters Labour Abuse Authority Construction protocol, helping us share and receive information and training materials to prevent modern slavery and are also a signatory to the Prompt Payment Code.

During the year we received accreditation as a Living Wage Employer. All of our suppliers and sub-contractors are encouraged to contact our confidential Safecall hotline if they are not being paid the Living Wage. 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 sustainable timber sourcing policy in December 2013. All centrally procured timber was FSC or PEFC certified in our last timber sourcing survey. We have implemented an external assessment of policy to ensure we comply with its requirements.

Innovation with our suppliers

We invest time and resource in working with our MMC partners to ensure the development of their products meets our needs and there is a smooth transition into our operations. All new MMC products and innovations go through our established New Product Introduction Process, which includes developing their design, ensuring third party certification and detailed trialling. Since we started our MMC journey, we have collected knowledge and information in order to refine this process and ensure we maximise the benefits of MMC.

The AIMCH is a collaboration between leading organisations in our sector focused on industrialising the delivery of MMC. The project aims to identify and develop industrialised offsite solutions, which are needed to meet current and future housebuilding requirements such as low embodied carbon emissions. During the year we have continued our work on this project and have successfully completed six advanced closed panel timber frame homes.

The Future Homes Standard will lead to changes in how we build our homes. We are actively looking at how we can design homes which are not connected to the gas grid. Our Group Design and Technical team have visited other countries to understand how they are delivering low carbon homes, the challenges they are facing and solutions they are applying. We are also bringing our suppliers together to understand each other's drivers and challenges in relation to net zero carbon and electric, and this has driven a number of key actions in relation to our future plans to reduce carbon emissions created by our operations.

The increased customer interest in Smart technologies in the home has seen us partner with Nest, part of the Google Group, to look at how we can offer smart solutions to our customers. We have done a number of trials with this technology and continue to work with Nest to develop a solution.

Key material issues

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

Risks mitigated by this principle B D E F

Acting with integrity in all of our relationships fosters future land and development opportunities, allows for smooth and efficient construction, and ensures that our suppliers and sub-contractors benefit from continuing to work with us.

↓ Members of the AIMCH project at our Kings Quarter development in Warrington. Image taken prior to the introduction of social distancing guidelines.

Building strong community relationships

Our principles

To ensure our work creates a positive legacy that helps local communities 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 thrive.

Our objectives

Short term

- Reduce disruption to the construction and sales process. Reduce the risk of health and safety incidents occurring on site.

Medium term

- Make a positive impact in the communities where we build.
- Reduce objections to new development, avoiding costly and time-consuming planning delays.
- Improve accessibility and quality of developments through infrastructure investment.
- Forge links with external organisations to help improve our own processes.

Long term

- Grow our reputation as a responsible business among all stakeholders, including customers, landowners, local and national politicians, and the general public.
- Improve perception of our business and industry among potential future employees.
- Promote economic growth in the areas where we build.

Value created for stakeholders

Short term

- Mitigate disruption of development for existing residents. Reduction of delays accelerates our provision of new housing for customers. Employees gain new skills, team building and health and wellbeing benefits through charitable partnerships.

Medium term

- Improve the quality of developments, benefiting customers, existing residents and the wider public. Charitable partnerships do lasting good work in communities.

Long term

- Economic growth through additional tax and consumer spending generated by new housebuilding benefiting all stakeholders.

↓ Tony Palmer, Construction Director for our Bristol division. During the year we donated all 400 of our defibrillators to St John Ambulance and St Andrew's First Aid.

Progress

Building strong communities in our developments

In order to build high quality homes and developments where people want to live, it is vital that we put a great deal of time and investment into forging strong community relationships and providing the facilities that people want and need.

This year we have made over £599m (2019: £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. These contributions form part of the cost of our developments. At a national level, it is estimated that our activities generated £2.9bn of Gross Value Added to the UK's economic output and supported 44,359 jobs this year.

Community engagement is a vital element of our planning process, and we seek to maintain a dialogue with residents throughout the development process. We do this through local discussion forums and the writing of letters to local residents, as well as any other means requested by the Local Planning Authority. This allows residents to make their voices heard, but it benefits us as well. Less than 5% of the units we build require a planning appeal at a local level.

In particular, we work hard to engage with children in local schools as they play such a big part in any community. We go to schools to teach children about the importance of health and safety on our developments, as well as the construction process, sustainability and careers in the industry.

Charitable giving

Charitable activities are a key part of our strategy for building community relationships. We support a number of national and local good causes, as well as encouraging our colleagues to get involved with fundraising and volunteering. During the year, the Group raised and donated £4.4m to charities (2019: £2.9m).

COVID-19 has made it all the more important to do what we can to support our communities. We have donated £100,000 to the NHS Charities Together directly, and an additional £50,000 to NHS Charities Together through The Sun's Who Cares Wins campaign, and £25,000 to The Big Issue to support vendors who are unable to sell the magazine during the lockdown. In the early days of the pandemic, we also donated 5,000 medical-standard facemasks to the NHS and all 400 of our defibrillators to St John Ambulance and St Andrew's First Aid. This is in addition to our Big Barratt NHS Thank You, under which we provide a deposit contribution to NHS workers trying get onto the property ladder.

Charitable partnerships

The Group has also entered into new partnerships with a number of charities this year.

In September 2019, we signed up to a three-year £1.0m partnership agreement with Outward Bound Trust. The Trust uses outdoor adventure programmes to help young people access nature and build resilience and self-belief. Our partnership will help around 2,400 children, while 82 of our employees will get the opportunity to act as mentors on Outward Bound courses. From 2020 onwards, the Trust will also manage our annual Big Barratt Hike, providing support in planning, managing and fundraising for the event, in return for which our teams will raise money for the organisation itself.

We have also entered into a three year, £100,000 partnership with HighGround, to help fund horticultural therapy services for injured service personnel Defence Medical Rehabilitation Centre at Stanford Hall. Part of their activity is to help maintain the grounds at the new Friends of the Tenth memorial at Somerby, Leicestershire, to the building of which we contributed £20,000. We also have links to the RBLI, whom we have previously supported.

This year we became the official sponsors of the Whizz Kidz Kidz Board, a group of young wheelchair users from across the country who meet four times a year to discuss and develop recommendations around the issues facing disabled youngsters. We will donate £60,000 to help cover the transport and accommodation costs for the Board for the next three years.

In September 2019, David Wilson Homes donated £50,000 to Canine Partners to fund the training of one of their support dogs and to help fund the construction of new kennels at one of their training centres in Leicestershire, near to our Group Support Centre and registered office.

These new commitments are in addition to our existing collaborations. We have maintained an industry leading partnership with the RSPB since 2014, which enables us to design and implement nature-friendly features into our developments, like swift bricks and wildlife-friendly garden guides, and to develop best practice on how we can design our developments to help nature thrive. We are currently developing a project to create digital content for residents, so they can learn more about biodiversity and share their knowledge. We are also in the second year of our partnerships with the St Mungo's Putting Down Roots programme, which uses the therapeutic benefits of horticulture to support the recovery of homeless people with mental health challenges in London and elsewhere in England.

Barratt and David Wilson Community Fund

The Community Fund allows each of our divisions to donate £1,000 each month to a local charity or organisation doing positive work in their area. This allows our employees to support the causes that matter to them. This year we have supported a range of different causes, from new equipment for a local cricket club to playgroups at a children's hospice, and from support groups for cancer sufferers to library buses for local schools. A number of our divisions chose to use this money to support the fight against COVID-19, donating to Meals for the NHS and St John Ambulance.

Getting our employees involved

The Group also has a generous matching scheme, under which the charitable fundraising efforts of our divisions are eligible for £15,000 of match funding each year, with £20,000 available for Group Support functions. In FY20, our colleagues raised and the Group matched, a total of £901,000. We also provide up to £1,000 of match funding for the efforts of individuals. We encourage employees to volunteer for a charity of their choice, and they are entitled to one day of paid leave per year to do so. We also partner with Payroll Giving in Action to enable employees to make regular, tax-free donations to their chosen charity.

Key material issues

- Promoting the physical and mental wellbeing of our employees.

Risks mitigated by this principle C K L

Community relationships form part of our strategy to be a responsible business. Working together helps us to build communities that benefit local people and the environment. These achievements mitigate the need for Government regulation and are recognised during the planning process for future developments.

£4.4m

Raised and donated to charities in the year

(2019: £2.9m)

44,359

Jobs supported

(2019: 47,360)

Safeguarding the environment

Our principles

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.

Interconnected environmental concerns over air quality, water resources and habitats are already important to the way we operate and over future years this will only increase.

Our principle

Our operations should be energy efficient and low carbon, minimising waste, 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 and source from sustainably managed forests, while utilising the possibilities in MMC.

Our objectives

Short term

- Having set science-based targets we will reduce our diesel consumption in our operations and put in place a plan to reduce scope 3 emissions from our supply chain and implement upcoming changes to Building Regulations Part L.
- We are developing an updated waste reduction strategy and researching the benefits of MMC as well as how to enhance them.
- We will improve our CDP Forests disclosure and continue to improve data collection on timber product certification from our suppliers.

Medium term

- Develop our strategy on water use reduction, addressing the adaptation risks of water shortages and flooding in our operations and in our homes.
- Further explore how materials and construction method choice can impact our scope 3 emissions.

Long term

- We have set a target to ensure new standard housetype designs will be net zero carbon in use by 2030.
- Achieve broader environmental net gains utilising new technologies and building methods.
- Further investigate the carbon, water and other resources which are embodied into the materials and services we purchase.

Value created for stakeholders

Short term

- Adoption of TCFD recommendations will enable the Board to make more informed decisions factoring in environmental risks and opportunities. By supporting and contributing to the development of a net zero carbon UK roadmap we can support the development of legislation that yields the best results and works for the industry.

Medium term

- By actively supporting a low carbon supply chain now, we can promote the growth of UK suppliers in providing those innovative technologies and materials that housing and infrastructure needs, at scale. Reducing fossil fuel dependence can avoid increased costs as these are dis-incentivised by Government.

Long term

- Low carbon homes and developments can insulate our customers against higher bills, secure our leading national sustainable housebuilder reputation and build trust that our developments leave a positive legacy.
- We are focused on sustainability in the benefits we offer by incorporating electric vehicles in our car fleet and enabling employees to access electric cars through our partnerships.

Progress

Our business seeks to drive progress against all the environmental issues where we have an impact. This includes carbon emissions and fossil fuel reduction, the need to reduce waste and resource use, and taking the opportunities from MMC such as timber frame and protecting world forests through sustainable sourcing. These issues ultimately apply to our supply chain, our own operations and the homes and place we design and build.

We aim to be at the forefront of the drive to Build Back Better following the COVID-19 pandemic, engaging closely with Government and collaborating within the sector. We will do our part in the national challenge to ensure economic recovery goes hand in hand with the UK's net zero carbon by 2050 target. We set science-based targets in the reporting year based on a 1.5^{0}C scenario, and conducted early scenario analysis.

We are putting ever more ambitious plans in place to reduce all aspects of our environmental footprint, from reducing carbon emissions and fossil fuel consumption, to reducing resource consumption and waste. We aim to enhance biodiversity and natural capital and source responsibly.

Our divisions hold certification to Environmental Management Standard ISO 14001:2015

The energy use and carbon emissions of our operations Scope 1 and 2 emissions

Our greenhouse gas emissions in absolute terms have reduced by 23% (location based) and 28% (market based). This is mainly driven by office and site closures resulting from COVID-19, though we have also seen some benefits from our renewable energy purchases. Our acquisition of Oregon, included in our carbon reporting for the first time this year has contributed 1% of our absolute carbon emissions.

Our carbon KPI is a measure of carbon emissions per area of legally completed units. A large proportion of emissions are generated during construction. The significant delay to unit completions this year has therefore meant that we have seen a significant rise in our scope 1 and 2 location based carbon intensity – as a result of the combination of carbon emitted during the construction stages, coupled with the fact that these units did not legally complete.

We have a target to reduce our carbon intensity for scope 1 and 2 greenhouse gas emissions by 29% by 2025 from 2018 levels. In order to help achieve this, we are introducing telematics technology to all generators to provide new insights on diesel reduction opportunities and are working with plant manufacturers and hire companies to provide telematics reports, to alert our equipment handlers on our construction sites when there are opportunities to reduce diesel consumption. We are conducting trials of solar and battery assisted generators, which have the potential to reduce diesel use, as well as minimising noise and air pollution.

Office energy reduction plans are underway at our Eastern Counties, Yorkshire West and South Midlands offices. The results will inform further energy improvements at our other offices. We have increased our purchase of renewable tariff REGO backed electricity from 46% to 68%. We have identified further energy savings for sites and offices as part of compliance with Phase 2 of the Energy Saving Opportunities Scheme.

We have pledged to buy 100% of our electricity on renewable tariffs by 2025. This will prepare the way to achieving our target of becoming net zero carbon in our operations by 2040 at the latest.

Our scope 1, 2 and scope 3 business travel and transmission and distribution emissions, have limited assurance to the ISAE 3000 (revised) standard by an independent third party.

Greenhouse gas emissions			**2020**	2019	2018	2015
Scope 1		tCO_2e	**18,374**	24,832	24,966	24,019
Scope 2	Location based	tCO_2e	**4,700**	5,016	6,594	11,809
	Market based	tCO_2e	**2,089**	3,411	4,992	–
Total gross scope 1 & scope 2 emissions	Location based	tCO_2e	**23,074**	29,848	31,560	35,828
	Market based	tCO_2e	**20,463**	28,243	29,958	–
Energy consumption		MWh	**97,686**	117,551	116,998	–
Carbon intensity (per 100 sq.m. of legally completed build area)	Location based	tCO_2e/100m²	**1.92**	1.75	1.82	2.32
	Market based	tCO_2e/100m²	**1.70**	1.66	1.73	–
Scope 3[1]		tCO_2e	**3,130,717**	3,835,725	3,857,428	–
Total gross scope 1, 2 & 3 emissions	Location based	tCO_2e	**3,153,791**	3,865,573	3,888,988	–
	Market based	tCO_2e	**3,151,180**	3,863,968	3,887,386	–

1. 384 tCO2e of transmission & distribution losses from electricity and district heat and steam under category 6, have been assured to ISAE 3000 (revised) standard by an independent third party.

Key material issues

- The energy use and carbon emissions of our operations.
- Having a low carbon supply chain.
- Reducing waste created from our operations.
- The lifetime environmental performance of the homes we build.

KPIs

1.92

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

(2019 (restated): 1.75)

Why we measure

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

Risks mitigated by this principle C L

Proactively safeguarding the environment through our designs and construction methods keeps us ahead of Government regulation and planning policy, such as in meeting the UK's target of net zero by 2050 and ensures we are playing our role in combating climate change.

Safeguarding the environment CONTINUED
Our principles

↑ An eco-friendly garden at our Ladden Garden Village site in North Yate, Bristol.

68%

of electricity purchased from renewable REGO backed tariffs

(2019: 46%)

Having a low carbon supply chain

Scope 3 emissions

We have set a science-based target to reduce scope 3 emissions by 11% by 2030. This encompasses all material scope 3 categories identified by the science-based targets initiative, the most significant being purchased goods and services which account for 65% of scope 3 emissions, and our products in use over their lifetime, accounting for 30%. This is a major step – scope 3 emissions account for 99% of the total carbon footprint of our value chain.

Currently emissions from purchased goods and services are estimated on industry averages, and we will improve the accuracy of scope 3 data over time by obtaining actual emissions from top carbon intensive suppliers and sub-contractors. This will enable us to better target our efforts in carbon reduction.

As part of our commitment to reducing the lifetime emissions of homes, we have set a target to ensure new standard housetype designs will be net zero carbon in use by 2030. We continue to work on making reductions as part of our net zero journey, and contributing to governmental and industry forums on the topic.

Reducing waste created from our operations

We recognise that waste must remain a priority area for us if we are to meet our 2025 target of a 20% reduction on 2015 levels, see Leading construction on pages 54 to 57.

The lifetime environmental performance of the homes we build

Water

We have published our 'Approach to Water', which explains the ways in which the business is mitigating the risks from flooding and freshwater scarcity both to our business and to the communities in which we operate.

We are collaborating with water companies to install smart water meters, which will enable a better understanding of how water use can be reduced in homes, and have issued new guidance to divisions on eligibility for infrastructure credits available for water efficient homes. We contributed to a new 'Bricks and Water' report on water use and housebuilding, making clear our support for water labelling, water saving measures and support for further measures in Building Regulations.

Biodiversity

In line with our target to create a net positive impact for ecology and biodiversity across all developments that we progress through planning from 2020 onwards, we have tested our approach and embedded it into our work, allowing us to monitor and track progress. 42 show home gardens have been certificated as wildlife friendly by the RSPB and we have contributed to the British Standards Institute consultation on biodiversity net gain. Read more about biodiversity in Great places on pages 52 and 53.

Risk management

Process of identifying our principal risks

In pursuing our strategic priorities to create value for stakeholders, we experience risk. The Board is responsible for the overall stewardship of our system of risk management and must ensure that the Group maintains the appropriate level of risk to achieve its objectives whilst remaining true to its principles.

Risk management controls are integrated into all levels of our business and across all of our operations, including at site, divisional, regional and Group level. The roles and responsibilities of the Board, its committees and all levels of management from a risk management perspective are summarised on page 78.

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 after the implementation of risk mitigation strategies.

The Group has identified ten principal risks that it considers to be of high impact and likelihood, detailed on pages 72 to 76. The principal risks are presented by reference to the strategic priorities to which they relate. The illustration of the probability does not consider the relative size of any associated financial or reputational impact of each item.

Why and how our risks change

The principal risks identified, 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.

At each Risk Committee, updates on principal risk areas are presented and ongoing mitigating actions reviewed. The Chairman of the Audit Committee routinely attends Risk Committee meetings in order to provide independent challenge to the risk management process.

The Risk Committee considers the new and emerging risks identified by the business and the need for mitigation.

During the year, climate change and social trends have been identified as emerging risks. The Group is currently undertaking scenario analysis to determine the potential impact of and mitigations available for climate change and will identify it as a principal risk in future if warranted. Emerging risks are detailed on page 77. No new principal risks have been identified.

In addition, 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.

There is an overarching risk of a significant unexpected event, such as the COVID-19 pandemic, having a material impact on the business, manifesting through the Group's principal risks. Our business has an established action plan for significant unexpected events, the effectiveness of which has been demonstrated by our response to COVID-19 this year.

The Risk Committee reports its recommendations on changes to and actions to mitigate against the Group's principal and emerging risks to the Audit Committee. The Audit Committee assesses these reports in light of business performance and the environmental social and governance matters embodied in our strategic principles and makes recommendations to the Board as to the appropriate actions to adopt.

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 are defined. Tolerances are 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 Board has completed its assessment of the Group's principal and emerging risks, including those that would threaten its business model, future performance, solvency or liquidity.

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 instances in which these risks could have a moderate adverse impact on the Group, be it financially or operationally. To ensure that the Group's business model remains resilient over the medium and long term, the Group has modelled these scenarios alongside achievable mitigating actions. The results are presented in the Viability statement on page 79.

Impact of COVID-19

COVID-19 presents a risk to the health and safety of our employees, sub-contractors and customers. The Group prioritises health and safety and has implemented COVID-19 working practices and protocols in line with the latest guidance from the Government, Public Health Authorities and the Construction Leadership Council.

In addition, the pandemic has heightened the Group's other principal risks: it has required the Group to quickly adapt to a new working environment, involving changes to construction methods and IT systems, coupled with economic uncertainty and challenges for our supply chain.

As the pandemic has evolved, the Board has reassessed its impact on principal risks. In addition, a 'bottom-up' evaluation was completed to ensure a comprehensive consideration of the risks to the business. Additional mitigating actions have been implemented where necessary.

The impact of COVID-19 on each risk and the mitigating actions adopted in response are detailed on pages 72 to 77. Changes arising from the virus are denoted by the symbol .

The Group has updated its forecasts with its best estimate of the impact of these risks and reflected this within its going concern and Viability statement.

Principal risks

Principal risk
The Group has identified ten principal risks that it considers to be of material operational impact and likelihood:

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

The principal risks are further detailed on pages 72 to 76, categorised by the strategic priorities to which they relate. Emerging risks are detailed on page 77.

Principal risk	Risk level (net of mitigation)	Risk appetite and response/mitigation	Key risk indicators
Customer first			
A **Economic environment, including housing demand and mortgage availability** Changes in the UK macroeconomic environment may lead to falling demand or tightened mortgage availability, on which the majority of our customers are reliant, reducing the affordability of our homes. An inability to meet customers' needs will lead to reduced volumes and affect our ability to provide profitable growth. **Responsibility:** Executive Committee	H – COVID-19 and the ongoing requirement for social distancing has disrupted the UK economy and greatly heightened uncertainty over employment levels in the short and medium term. Future developments of the virus or an unfavourable outcome to negotiations regarding the UK's relationship with the EU could cause further economic disruption. From April 2021, the Government's Help to Buy scheme will be subject to regional caps and restricted to first time buyers. The scheme is due to end in March 2023.	M – • Continual monitoring of the market at a Board, Executive Committee, regional and divisional level, leading to amendments in the Group's forecasts and planning as necessary. Assessed likely market impact of COVID-19. The Group's Viability statement is on page 79. • Comprehensive sales policies and regular review of pricing, local markets and developing good working relationships with mortgage lenders. • Quarterly site valuations based on the latest market data. • Maintenance of an appropriate capital structure and balance sheet control. • Planning for the end of the transition period for the UK's exit from the EU and adapting business operations as necessary. • Development of alternative strategies to drive sales following the announced changes to Help to Buy.	Gross and operating margins, PBT, ROCE, EPS, TSR, total home completions

Principal risk	Risk level (net of mitigation)	Risk appetite and response/mitigation	Key risk indicators
Great places			
B **Land availability** The inability to secure sufficient consented land and strategic land options at appropriate cost and quality in the right locations which enhance communities. Securing favourable sites that meet our margin and site ROCE hurdle rates will enable volume growth. **Responsibility:** Land Committee	M – The Group temporarily suspended land purchasing between March and August 2020. The temporary closure of construction sites and sales centres due to COVID-19 reduced sales volumes and cash inflows. Our land bank is sufficient to meet current operational needs.	M – • 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.	Land approvals (plots)
C **Government regulation and planning policy** Changes in the regulatory environment affect the conditions and time taken to obtain planning approval and technical requirements including Building Regulations, increasing the challenge of providing quality homes where they are most needed. Sufficient, appropriate planning permissions on new sites will enable the Group to deliver disciplined volume growth at our target margins. **Responsibility:** Operations Committee	M – The Government continues to reiterate its commitment to facilitating the provision of new homes, but the planning process remains lengthy and complex. Changes to Building Regulations, such as the Future Homes Standard effective in 2025, will increase design requirements.	M – • 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 that exceed current and expected statutory requirements. • 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 monitor, understand and plan for proposed regulation change.	Gross and operating margin, PBT, ROCE, EPS, TSR, total home completions
D **Joint ventures and consortia** The Group can facilitate large or complex developments through joint ventures or consortia arrangements, allowing the provision of housing in particular areas of need by sharing risk and capital requirements. Securing more JV sites that meet our hurdle rates enables disciplined volume growth, but the arrangements may be complex and capital intensive. **Responsibility:** Operations Committee	L – Our investment in JVs is £152.1m (2019: £189.0m) a reduction from the previous year. The temporary closure of our construction sites and sales centres as a result of COVID-19 also affected our JV and consortium sites.	M – Continual communication with our JV and consortia partners concerning the impact of COVID-19 on trading arrangements and contractual requirements. • 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.	ROCE, total home completions

Risk level/appetite H High risk M Medium risk L Low risk **Change from previous year** Increase Decrease – No change

Principal risks CONTINUED

Principal risk	Risk level (net of mitigation)	Risk appetite and response/mitigation	Key risk indicators
Leading construction			
E **Construction** Failure to achieve excellence in construction, through delays from adverse conditions, a failure to identify cost overruns promptly, design and construction defects, and deviation from environmental standards. Delays or deficiencies in construction could increase costs, expose the Group to liabilities, and result in poor product quality, reduce selling prices and sales volumes. Inefficiency and competitive disadvantage from a failure to develop and implement new and innovative construction methods. **Responsibility:** Operations Committee	H ↑ The temporary closure of construction sites during the year caused a delay to construction. Sites are now operating COVID-19 working practices and protocols in line with the latest Government and industry guidance to ensure the safety of our employees and sub-contractors. This has increased costs and is expected to increase site duration. The Group continues to increase its use of MMC to address skilled employee shortages and reduce its environmental impact.	L – Programme of site inspections to ensure protection of sites during lockdown. • Review of revised construction delivery against expected sales rates. • Executive Committee, regional and divisional reviews and quarterly site valuations assess expected margins. • Continuous review of quality of design and materials, which are both evaluated by external and internal technical experts, including the NHBC, to ensure compliance with all building and other regulations. • Monitoring and improving the environmental and sustainability impact of construction methods and materials. • Appropriate insurance cover. • Detailed build programmes and quality reviews. • Implementation of MMC by Design and Technical teams. • Technologies new to us go through a rigorous testing and analysis process before full implementation.	Customer service, total home completions, gross margin, operating margin, PBT, ROCE, EPS, construction waste intensity and carbon intensity reduction
F **Availability of raw materials, sub-contractors and suppliers** Shortages or increased costs of materials and skilled labour, the failure of a key supplier or the inability to secure supplies on appropriate credit terms. Maintaining sufficient material and skilled sub-contractor availability will enable disciplined growth in the provision of high-quality homes. Failure to do so may lead to increased costs and delays in construction. **Responsibility:** Operations Committee	H ↑ The COVID-19 pandemic has increased pressure on the availability of certain build materials in the short term, with potential for further disruption if further outbreaks occur. There also continues to be a shortage of skilled labour in the housebuilding industry, which may be affected by an unfavourable outcome to the negotiations regarding the trading relationship between the UK and EU. Around 10% of the Group's materials, by spend, are imported and a further 30%, by spend, contain some imported components.	L – Secured supply continuity for all supplies with high potential to be disrupted by COVID-19. • Adhere to the Prompt Payment Code to support the liquidity of our partners. • Centralised team procures the majority of the Group's materials from within the UK including subcontractor materials, ensuring consistent quality and cost. • Development of long-term supplier and sub-contractor partnerships with all significant supply agreements fixed in advance, usually for 12 months. • Key supplier audit programme to assess risks to the reliability of supply continuity. • Requirement to develop multiple supplier relationships for both labour contracts and material supplies, with 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.	Customer service, gross and operating margin, PBT, ROCE, EPS, TSR, total home completions

Principal risk	Risk level (net of mitigation)	Risk appetite and response/mitigation	Key risk indicators
Investing in our people			
G **Safety, health and environment** Health and safety or environmental breaches can result in incidents affecting employees, sub-contractors and site visitors and undermine the creation of a great place to work. SHE breaches affect the wellbeing of our employees and could result in reputational damage, criminal prosecution and civil litigation, and delays in construction or increased costs. **Responsibility:** Safety, Health and Environment Operating Committee	H ↑ The Group continues to focus on health and safety, ensuring consistent controls are in place to reduce accidents and injuries. The Group IIR rate for the year is 256 (2019: 297) per 100,000 persons employed (including sub-contractors). The Group has acted to minimise the risk to its employees, sub-contractors and customers of contracting COVID-19 whilst at work, incurring additional cost. The pandemic and the workplace changes it has required present a challenge to the physical, mental and financial wellbeing of employees.	L – Sites and sales centres are operating under a detailed set of social distancing and hygiene practices and protocols in line with the latest Government guidance. • Nominated social distancing marshal present on all sites. • Internal committed health and safety team. • Regular health and safety monitoring, 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 Board and SHE Operations Committee that review key performance indicators and improvement plans. • Quarterly performance reviews by divisional management within all operating units. • Independent reviews of our SHE processes. Partnered with benefit providers to offer additional online training to support the wellbeing of employees during the COVID-19 lockdown, including on their mental health, and working from home.	Health and safety (SHE audit compliance)
H **Attracting and retaining high-calibre employees** Failure to recruit and/or retain the best people so that both our employees and the business can benefit from the available development opportunities. Development of skilled employees is critical to delivery of the Group's strategy of profit and volume growth through quality and efficiency. **Responsibility:** Executive Committee	M ↓ Whilst competitiveness for employees in the operational business continues, this has reduced due to the current economic uncertainty. The pandemic has necessitated a wide change in working practices.	M – • Comprehensive human resources programme including apprenticeships, 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. Maintained normal pay for furloughed employees and committed to paying those who are required to shield. When schools closed, all employees with childcare responsibilities were granted one week of special paid leave to enable them to make necessary arrangements. Additional paid leave provided to non-furloughed employees.	Employee engagement score

Risk level/appetite H High risk M Medium risk L Low risk **Change from previous year** ↑ Increase ↓ Decrease – No change

Principal risks CONTINUED

Principal risk	Risk level (net of mitigation)	Risk appetite and response/mitigation	Key risk indicators
Underpinning all priorities			
I **Availability of finance and working capital** Unavailability of sufficient borrowing and surety facilities to settle liabilities, manage working capital, respond to changes in the economic environment, and take advantage of appropriate land buying and operational opportunities to deliver strategic priorities. **Responsibility:** Treasury Committee	M In November 2019 the Group extended its £700m RCF until 2024 with the option to extend this further by one year. In addition, the Group holds £200m of fixed rate USPP notes that mature in 2027. The temporary closure of construction sites and sales centres in the year in response to the COVID-19 pandemic significantly reduced cash inflows to the Group. The Group actively managed its cash flows with average net cash for the year of £348.3m and net assets of £4,840.3m as at 30 June 2020.	L • Committed bank facilities and private placement notes of around £900m with maturity on the RCF in 2024 and the USPP in 2027. Increased frequency of monitoring of working capital and cash requirements and compliance with banking covenants. Obtained confirmation of eligibility for CCFF until March 2021, should it be required. • Policy requiring minimum headroom of £150m of drawings against committed facilities. • Maintenance of an appropriate capital structure • Assessed the medium and long-term viability of the business model (page 79).	Average net cash
J **IT** The Group continues to integrate its IT systems to enhance control and drive efficiency. The failure of any of these systems, in particular those relating to customer information, surveying and valuation, could restrict the Group's operations and disrupt progress in its strategic priorities. Failure to comply with data regulations could also incur significant financial penalties and reputational damage. **Responsibility:** Technology Risk Sub-committee	M Wherever possible, the Group has facilitated home working for its employees, prioritising their safety during the pandemic. This has necessitated the adoption of new and changes to existing IT systems. Whilst presenting an initial challenge, this has also encouraged the improvement of the Group's IT environment. The threat of external cyber attacks and phishing attempts persists with a number of high profile incidents being reported in the media during the year.	L • Centrally maintained IT systems. • Fully tested disaster recovery programme. • Regular reviews to seek to reduce the risk of successful cyber-attacks. • GDPR compliant business processes and data management. • Technology Risk Sub-committee provides oversight of technology risk. • Group-wide compliance and policies on passwords and transferring data to third parties.	Customer service, gross and operating margin, PBT, ROCE, EPS

Emerging Risks

Emerging risk	Current status	Response/mitigation	Key risk indicators
Customer first			
K **Social trends** Social developments drive changes in customers' expectations of the service they receive, the ways in which they communicate with the Group, and the manner in which the Group engages with its stakeholders. **Responsibility:** Operations Committee	The Group's marketing must remain relevant to the latest developments in communications and social media or it will fail to engage with new customers. Our customers expect timely and relevant communication throughout the sales process through channels that fit their lifestyle. Our customers increasingly consider the Group's social and environmental impact when deciding to buy our homes. The Group must highlight the value it creates for communities and wider society. The COVID-19 pandemic has accelerated certain social changes, such as the manner in which our customers wish to communicate.	• Weekly monitoring of our media performance, including monitoring of our competitors and other industry best practice. • Procurement of a social media specialist team to monitor and advise usage. • Communications and Investor Relations teams regularly assess the effectiveness of the Group's messaging. • Replacing the CRM system with an online customer portal that allows for easy communication throughout the customer experience. • Active working party focused on delivering the Diversity and Inclusion strategy to ensure that the business is representative of and acts in the interests of all within the communities in which we operates. Telephone and video appointments, including video tours of show homes.	Customer service
Underpinning all priorities			
L **Climate change** In the short-to-medium term, Government regulations and customer and investor expectations will require the Group to further enhance its sustainable business practices. In the long-term the Group must adapt to the physical changes to the climate in which it operates. The Group currently manages the impacts of climate risk separately through its principal risks, for example the Future Homes Standard is considered through the management of Government regulation and planning policy and increased flooding risk is considered in the management of land availability. **Responsibility:** Executive Committee	A great global effort is required to keep climate change below 1.5 degrees and avoid the most severe effects of climate change. The UK Government is aiming to become net zero carbon by 2050, with key environmental legislation likely to accelerate in the future. Local planning authorities are declaring climate emergencies, many with ambitions of carbon neutrality by 2030. The introduction of the Future Homes Standard in 2025 and the potential for overheating due to increased average temperatures in summer requires the Group to reassess its designs. The increased frequency of extreme weather disrupts construction and requires our developments to be resilient to its effects.	• Committed to reduce the Group's operational and indirect carbon emissions significantly (including those from its completed homes and its supply chain) by 2025 and 2030 respectively. This is ahead of the expected statutory requirements. • Review of Future Homes Standard, effective in 2025, adapt and plan for compliance. • The business has prepared for upcoming legislation, for example with the tools to create measured biodiversity net gains on new developments. • Appointment of Group Sustainability Director to co-ordinate the Group's response and advise the Board on sustainability matters. • Commenced scenario analysis to determine the resilience of the Group's business model under different climate related scenarios.	Carbon intensity, waste intensity

Risk level/appetite H High risk M Medium risk L Low risk **Change from previous year** Increase Decrease No change

Principal risks CONTINUED

Monitoring risk throughout the Group

Board

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

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

Audit Committee
Reviews the effectiveness of internal controls, including systems to identify, assess and monitor risks

Nomination Committee
Ensures an appropriate balance of skills, knowledge and experience on the Board

Remuneration Committee
Assesses the appropriate incentivisation of the Executive Directors and Senior Management

Safety, Health and Environment Committee
Responsible for the stewardship of safety, health and environmental performance

Disclosure Committee
Responsible for compliance with the requirements of the Market Abuse Regulation

Regular performance and risk reports to the Board

Executive Committee CONSIDERS ALL RISKS

Monitoring business and operational performance and changes in key risks facing the business.

Responsible for ensuring that the Risk Management Policy is implemented and embedded within the business and appropriate actions are taken to manage risks.

Operations Committee
C D E F K
Reviews operating performance

Risk Committee
CONSIDERS ALL RISKS
Considers identified risks and their mitigation
Identifies new and emerging risks

Technology risk sub-committee
J
Identifies and considers technology related risks and their mitigation

Treasury Operating Committee
I
Manages liquidity and counterparty risk and ensures that treasury policies are implemented and embedded within the business

Land Committee
B
Reviews and authorises all proposed land acquisitions to manage land acquisition risk

Safety, Health and Environment Operating Committee
G
Reviews the effectiveness of health and safety policies and establishes controls and procedures to manage these risks

Implementation and embedding of the Risk Management Policy

Site management
Maintains an effective system of risk management and internal control at site level including construction and sub-contractor risks and SHE

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

Independent assurance
Internal Audit, External Auditors and other independent experts test the design and effectiveness of procedures and controls

Whistleblowing line and audit reports throughout the year

Denotes responsibility for principal risk A Economic environment, including housing demand and mortgage availability B Land availability C Government regulation and planning policy D Joint ventures and consortia E Construction F Availability of raw materials, sub-contractors and suppliers G Safety, health and environment H Attracting and retaining high-calibre employees I Availability of finance and working capital J IT K Social trends L Climate change

Viability statement

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.

Viability statement

In accordance with 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 business model is presented on pages 30 and 31 and its future prospects are primarily monitored through the risk management processes detailed on page 71.

For the long term viability statement, the Directors consider that a three-year review period is appropriate. This period is 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. Reduced trading arising as a result of COVID-19 has increased our land bank years metric, but future land investment will continue to focus on our return on capital and aim for a shorter than sector average supply of owned land of c. 3.5 years, with which the three-year review period is broadly consistent.

The Group has adapted its business plan in response to COVID-19. This is reflected in the Group's forecasts through reduced sales volumes and increased build times as we prioritise the safety of our employees, sub-contractors and customers. The plan also incorporates the likely market impact of the planned changes in the Help to Buy Scheme in 2021 and 2023. The Group is forecast to remain profitable and sustainable in the new trading environment.

The Group continues to be subject to its principal risks, which have been reassessed in light of COVID-19. The principal risks, including developments resulting from the pandemic, are detailed in pages 72 to 76. In particular, the economic outlook remains unclear. This Viability statement 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 over the review period.

To assess the Group's resilience to adverse outcomes, its forecast performance over the three-year period, including dividends, was sensitised to reflect a series of scenarios based on the Group's principal risks and the downside prospects for the UK economy and housing market presented in the latest external economic forecasts.

This assessment included a reasonable worst-case scenario in which the Group's principal risks manifest to a severe but plausible level. The assessed risks, for which the impacts were applied in aggregate, were as follows:

Principal risk	Impact modelled
A Economic environment, including housing demand and mortgage availability	A decline in demand leading to a 25% reduction in total sales volumes pre-COVID-19 levels and 10% fall in private ASP, followed by a gradual recovery.
F Availability of raw materials, sub-contractors and suppliers	A 5% increase in the cost of material and labour arising from shortfalls in supply, for instance following the end of the transition period for withdrawal from the EU.
E Construction G Safety, health and environment	A two month nationwide closure of sales centres and construction sites.

Where necessary, mitigating actions were modelled that would be adopted by the Group in response to these circumstances. These primarily involved a reduction in investment in inventories in line with the fall in expected sales and the actions successfully deployed during the Group's closure of its operations in March 2020. It is assumed that the Group does not receive Government assistance and does not utilise the CCFF.

Under the described scenarios, the Group is able to operate within its current facilities, meet its liabilities as they fall due, and remain in compliance with its financial covenants in the assessed period. The mitigating actions required do not disrupt the Group's ability to grow over the long term.

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 as they fall due over the three-year period of their assessment.

Assessing the Group's prospects beyond the review period, the Directors consider that the demand for high-quality new homes will remain strong due to long term undersupply. The Group has maintained a well-capitalised balance sheet and operates a resilient business model focused on quality and customer service. As a result, the Group is well placed to emerge from the short to medium term disruption caused by COVID-19 and rebuild completion volumes towards its medium term target of 20,000 wholly owned completions. Through this, disciplined land acquisition and the optimisation of performance across build and sales, the Group will look to rebuild to achieve margin improvement and target ROCE of 25%.

The Strategic Report on pages 2 to 79 was approved by the Board and is signed on its behalf by

David Thomas
Chief Executive

1 September 2020

Board of Directors

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

Key

- (A) Audit Committee
- (N) Nomination Committee
- (R) Remuneration Committee
- (D) Disclosure Committee
- (S) Safety, Health and Environment Committee
- ● Chair of Committee

N R

John Allan
Non-Executive Chair

Appointment to the Board:

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

Skills and qualifications:

John has significant board, business and retail experience gained from both the commercial and financial sectors. He was CEO of Exel PLC and, when it was acquired by Deutsche Post in 2005, he joined the board of Deutsche Post, becoming CFO in 2007 until his retirement in 2009. John was also chair of Dixons Retail plc, and, following its merger with Carphone Warehouse, was deputy chair and senior independent director of Dixons Carphone until 2015. He was also previously a non-executive director of Worldpay Group PLC (where he was previously Chair), National Grid plc, the UK Home Office Supervisory Board, 3i plc, PHS Group plc, Connell plc, Royal Mail plc, Wolseley plc and Hamleys plc and chair of London First.

External appointments:

John is currently Chairman of Tesco PLC, Chair of the Council at Imperial College and a regent of the University of Edinburgh. Having recently come to the end of his term as President of the CBI, John has been elected Vice President of the CBI for a one-year term.

D

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.

Skills and qualifications:

David brings a wealth of finance and leadership experience acquired over a number of years in senior positions and is an Associate of the Institute of Chartered Accountants in England and Wales. He was previously Group Finance Director and Deputy Chief Executive of The GAME Group plc and Group Finance Director at Millennium and Copthorne Hotels plc. He has also held senior financial roles with House of Fraser plc and Forte plc.

External appointments:

David is a Non-Executive Director of the HBF.

S

Steven Boyes
Chief Operating Officer and Deputy Chief Executive

Appointment to the Board:

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

Skills and qualifications:

Steven has over 40 years' experience in the housebuilding industry, having joined us 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.

External appointments:

Steven holds no external appointments.

D

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.

Skills and qualifications:

Jessica brings significant 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.

External appointments:

Jessica holds no external appointments.

R S A N

Richard Akers
Senior Independent Director

Appointment to the Board:

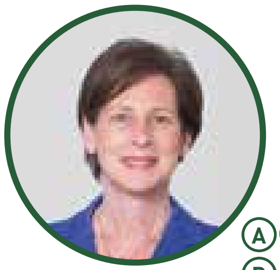
Richard joined the Board as a Non-Executive Director on 2 April 2012 and became Senior Independent Director on 16 November 2016.

Skills and qualifications:

Richard has considerable board experience and a broad range of property knowledge. He was a senior executive at Land Securities Group plc (joining the main Board in 2005), a Non-Executive Director of Emaar Malls PJSC, a member of the Advisory Board for Battersea Power Station Development Company, and a Director and President of the British Council of Shopping Centres, the main industry body for retail property owners. Richard is a Chartered Surveyor.

External appointments:

Richard is a Non-Executive Director and Senior Independent Director of Shaftsbury plc. He is also a Non-Executive Director of Unite Group plc.



A N R

Nina Bibby
Non-Executive Director

Appointment to the Board:

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

Skills and qualifications:

Nina brings a wealth of marketing experience to the Board. 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, and worked at Diageo plc, latterly as Commercial Strategy Director.

External appointments:

Nina is currently Chief Marketing Officer at O2 (Telefonica UK) and a Trustee for the Great Ormond Street Hospital Children's Charity.

Board of Directors CONTINUED

Key

(A) Audit Committee

(N) Nomination Committee

(R) Remuneration Committee

(D) Disclosure Committee

(S) Safety, Health and Environment Committee

● Chair of Committee

A N R

Jock Lennox
Non-Executive Director

Appointment to the Board:

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

Skills and qualifications:

Jock, a Chartered Accountant, brings a multitude of business and finance experience to the Board. Until last year, he was Chairman of Hill and Smith Holdings plc and Enquest plc. Jock was previously Senior Independent Director of Oxford Instruments plc and Non-Executive Director and Chairman of the Audit Committees of Dixons Carphone plc and A&J Mucklow Group plc. 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.

External appointments:

Jock is Chair of the Audit Committee Chairs' Independent Forum.

A N R

Sharon White
Non-Executive Director

Appointment to the Board:

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

Skills and qualifications:

Sharon is Chair of the John Lewis Partnership and also brings over 25 years' experience in the public sector to the Board. She was, until recently, Chief Executive of Ofcom and was formerly Director General, Public Spending and Second Permanent Secretary to HM Treasury. She also previously held roles at the British Embassy in Washington, the No 10 Policy Unit, the World Bank and various Government departments including the Department for International Development, the Department of Work and Pensions and the Ministry of Justice.

External appointments:

Sharon is Deputy Chair of Sadlers Wells, a contemporary dance company.

D

Tina Bains
Company Secretary

Appointment to the Board:

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

Skills and qualifications:

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.

External appointments:

Tina holds no external appointments.

Executive Committee

The Executive Committee consists of:

David Thomas
Chief Executive

See page 80

Steven Boyes
Chief Operating Officer and Deputy Chief Executive

See page 81

Jessica White
Chief Financial Officer

See page 81

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.

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, business change and sustainability.

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.

Tina Bains
Company Secretary

See page 82

Regional Managing Directors

From 1 July 2020, the Group operates through five geographic housebuilding regions and a commercial division. During the year ended 30 June 2020, the Group operated from six geographical regions. Each operation has a Managing Director as follows:

Doug McLeod
Regional Managing Director – Scotland

Doug is responsible for the Group's operations in the Scotland Region, which consists of three divisions and our timber frame 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.

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.

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.

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.

Chris Burton
Regional Managing Director – West
(retired 30 June 2020)

Chris was responsible for the Group's operations in the West Region, which consists of three divisions, prior to his retirement on 30 June 2020.

Career and experience:

Chris joined the Group in 1985. Formerly Managing Director of Barratt Yorkshire West for 13 years, he was appointed to the role of Regional Managing Director in July 2012.

Gary Ennis
Regional Managing Director – London and Southern
(until 30 June 2020);
London, West and Southern
(from 1 July 2020)

Gary is responsible for the Group's operations in the London and Southern Region, which consists of six divisions. Following Chris Burton's retirement, Gary has assumed responsibility for the Group's operations in the West Region.

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, of London in October 2016, and West on 1 July 2020.

Nick Richardson
Managing Director – Wilson Bowden Developments

Nick is responsible for the Group's 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.

Corporate governance report
Introduction and overview

John Allan
Chair
11/11

Other Board members:

David Thomas
11/11

Steven Boyes
11/11

Jessica White
11/11

Richard Akers
11/11

Nina Bibby
11/11

Jock Lennox
11/11

Sharon White
11/11

■ Board meetings attended
■ Board meetings held

> "The foundation of any resilient business is a strong corporate governance framework and a positive culture that is embedded throughout."
>
> **John Allan**
> Chair

Introduction

The Board provides effective and entrepreneurial leadership in promoting the long term sustainable success of the Company, generating value for shareholders and contributing to wider society. It establishes the Group's purpose, values and strategy, ensuring these are aligned with the culture of the business and that each of these is embedded throughout the organisation. In addition, the Board ensures that the necessary resources are in place to deliver on its purpose and strategy, and that we work within a framework of prudent and effective controls, which enable risk to be assessed and managed. The Board also considers and assesses the opportunities and risks to the future success of the business and the sustainability of the Group's business model. Throughout its decision making process, the Board takes into account the feedback received from its stakeholders. Details of this can be found on pages 38 to 48 in the Strategic Report.

The last few months of our financial year have proved to be a challenge as a consequence of COVID-19. It has become even more apparent that the foundation of any resilient business is a strong corporate governance framework and a positive culture that is embedded throughout. The Board acted quickly and decisively in response to the impact of COVID-19, leading the business through a full closure to re-opening of all operational sites. Details of these actions are set out throughout this report.

Corporate governance statement

The Company is subject to the Code, which was issued by the FRC in 2018. The Code can be found on the FRC's website, www.frc.org.uk. The Board confirms that throughout the year ended 30 June 2020, and as at the date of this report, the Company has complied with all relevant provisions set out in the Code. This report, together with the reports from the Nomination, Audit, SHE and Remuneration Committees and the other statutory disclosures, provides details of how the Company has applied the principles of the Code (pages 80 to 155). The Company has also complied with the relevant requirements of the FCA's Disclosure and Transparency Rules and the FCA's Listing Rules; BEIS' Directors' Remuneration Reporting Regulations and Narrative Reporting Regulations and the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Implementation of the Code

Section of the Code	How we have applied the Code	Further information
Board leadership and company purpose		
The Board is collectively responsible for the long term sustainable success of your Company. The Group's purpose, values and strategy are set by the Board, and the Group's culture is aligned with these and promoted by the Board, which leads by example. The Board is responsible for ensuring the necessary resources are available to meet the Group's objectives, measure performance and establish an effective risk and internal control framework. The Board recognises the importance of engaging with the workforce and other stakeholders and using feedback from them to inform its decisions.	This section details: • the main activities and outcomes of the Board in FY20 and how governance contributes to strategy; • the Board's ongoing work on culture; and • the Group's control framework. Information on the Board's work on the Group's purpose, values and strategy is given in the Strategic Report. Information on the Group's stakeholders (including the workforce), how we engage with them and the impact of that engagement on the Board's decisions is set out in the Section 172 Statement and Stakeholder engagement section in the Strategic Report. Information regarding the management of conflicts of interest is provided in the Nomination Committee report.	See pages 89 to 91 See pages 92 to 95 See page 99 See pages 32 to 35 See pages 38 to 48 See page 108
Division of responsibilities		
The Chair leads the Board, facilitates constructive relations amongst its members and ensures information received is accurate, timely and clear. Executive Directors manage the business on a day-to-day basis. The Non-Executive Directors, all of whom are independent, provide an appropriate level of scrutiny and constructive challenge, strategic guidance and specialist advice and hold management to account. Board policies and processes are in place to ensure that the Board functions effectively and efficiently.	This section outlines: • Board balance and how responsibilities are divided amongst the Board, its Committees and individual Directors; • Chair and Non-Executive Director independence; • membership and attendance at the Board; and • the structure and composition of the Board and its Committees. Information regarding the evaluation of individual Directors, and the time commitments of the Chair and Non-Executive Directors is given in the Nomination Committee report.	See pages 96 to 99 See pages 97 and 102 See page 86 See pages 80 to 82 and 98 to 99 See pages 103 and 108
Composition, succession and evaluation		
The 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. Board appointments are subject to a formal, rigorous and transparent procedure and an effective succession plan has been established and is maintained for Board and Senior Management. Appointments and succession plans are based on merit and are objective, and promote diversity. 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.	This section details: • the main activities of the Nomination Committee and their outcomes; • a breakdown of the Board's composition; • the process for Board appointments; • details of how succession plans are monitored and updated; • Board and Senior Management diversity; and • Board and committee evaluation, progress on the FY19 actions and results of the FY20 evaluation.	See page 101 See page 102 See page 102 See page 103 See page 103 and 104 See pages 105 to 108

Corporate governance report CONTINUED
Introduction and overview

Implementation of the Code

Section of the Code	How we have applied the Code	Further information
Audit, risk and internal control		
The Board is mindful of the risk environment in which it operates when making any decisions. It has established formal and transparent policies and procedures to ensure independence and effectiveness of internal and external audit functions. The Board satisfies itself on the integrity of the financial and narrative statements, and that they present a fair, balanced and understandable assessment of the Group's position and prospects. It maintains sound risk management and internal control systems and regularly reviews the principal and emerging risks impacting the business. The Board assesses the appropriate appetite for risk in striving to achieve the Group's strategic objectives.	This section summarises:	
	• the main activities of the Audit Committee and their outcomes;	See pages 112 to 115
	• the significant issues the Audit Committee considered relating to the financial statements and how these issues were addressed;	See pages 115 to 117
	• the approach to risk management, internal control and risk management systems and the Audit Committee's review of their effectiveness; and	See page 118
	• an explanation of how the Audit Committee has assessed the independence and effectiveness of the external audit process and the approach taken to the re-appointment of the External Auditor, including information on non-audit services.	See page 119
	• the Directors' statement of responsibility for a fair, balanced and understandable Annual Report and Accounts.	See page 155
	The following additional information can be found in the Strategic Report:	
	• the Board's assessment of the Group's emerging and principal risks and information on how these are being managed;	See pages 71 to 78
	• the long term viability statement;	See page 79
	• the Going Concern statement; and	See page 79
Remuneration		
The Board, through its Remuneration Committee, has established a formal and transparent procedure for developing its policy on executive remuneration and determining Director and Senior Management remuneration. The remuneration policy and practices are designed to support the strategy and promote the long term sustainable success of the Group. Executive remuneration is aligned to the Group's purpose and values to support the successful delivery of the Group's long term strategy.	This section sets out:	
	• details of the Group's remuneration policy and proposed changes for FY21;	See pages 127 to 136
	• how the policy operated during FY20, including remuneration outcomes based on the Company's performance and taking into account independent judgement and discretion applied for the Company's and individual performance and wider circumstances; and	See pages 142 to 151
	• how policy will be applied in FY21.	See pages 139 to 141

Corporate governance report CONTINUED

Board leadership and company purpose

Main activities undertaken during the financial year

The Board follows an annual agenda to ensure that all key matters are allocated adequate time for discussion. During the lockdown period, the Board scheduled additional meetings to ensure that it remained apprised on the steps being taken to safeguard the health, safety and wellbeing of its employees, customers, suppliers, sub-contractors and the general public, whilst maintaining the liquidity and balance sheet resilience of the business. A description of the main activities of the Board during the year under review and how these contributed to the delivery of strategy is set out below.

Key activities and discussions in FY20	Link to strategic priorities and principles
COVID-19	
Following the Prime Minister's lockdown announcement on 23 March 2020, the Board closely monitored and actively managed the impact of COVID-19 on the business and in particular the Group's employees, customers, suppliers and sub-contractors. The Board took immediate measures to manage the Group's cost base and cash flows to ensure resilience whilst ensuring the health and safety of its employees, customers, suppliers and sub-contractors. The measures implemented included: • temporary closure of all of our sales centres, construction sites and offices by 27 March 2020; • suspension of all land buying activity; • cessation of all recruitment activity; • postponement of non-essential capital expenditure; • active management of cash flows whilst ensuring that our suppliers and sub-contractors continue to be paid on time; • cancellation of the interim dividend, which was due to be paid on 11 May 2020, the final ordinary and special dividends payable in November 2020 and the special dividend proposed for payment in November 2021; • furloughing around 85% of our employees at their normal pay in order to safeguard jobs; • a successful application for access to funding under the CCFF to enhance the Group's liquidity position. Utilisation of the CCFF is not anticipated; • a voluntary 20% reduction in base salary and fees for all Executive Directors, the wider Executive and Regional Managing Director team, the Chair and the Non-Executive Directors for the period our sites were closed; • supported the recommendation of the Executive Directors and the decision of the Remuneration Committee that there would be no payments to any Director or employee under the FY20 annual bonus scheme; • monitored the establishment of extensive COVID-19 working practices and protocols, to enable site operations to gradually restart from 11 May 2020 in England and Wales and from 1 June 2020 in Scotland; and • return of the funding received under the CJRS taking into account the Group's financial position.	Customer first Investing in our people Keeping people safe Being a trusted partner Ensuring the financial health of our business
Purpose, strategy, values and culture	
The Board undertook a review of the Group's purpose and culture and the extent to which both are aligned to the strategy and values of the business. COVID-19 interrupted this work but we are committed to continuing this review in FY21. Further details on this work can be found on pages 32 to 35. Reviewed the Group's modern slavery statement and the dissemination of this around the workforce and processes associated with the policies.	Customer first Great places Leading construction Investing in our people Keeping people safe Being a trusted partner

Corporate governance report CONTINUED

Board leadership and company purpose

Key activities and discussions in FY20	Link to strategic priorities and principles

Business performance and resourcing

Details of the performance of the Business are provided in the Strategic Report on pages 2 to 27.

Routes for growth

The Board identified a number of key opportunities the business should pursue to grow in terms of volume and improve margin as well as enhancing its efficiency by leveraging the Group's strong brand position and the use of more digital platforms.

Modern methods of construction

The Board undertook a review of the progress made with enhancing the Group's MMC capability.

Agreed updates should be made to tighten timber sourcing policies and include Oregon. Concluded that MMC sites should be included in the annual Board visit schedule to further educate the Board.

Internal aspirational targets to be set for each type of MMC.

Land

Reviewed a number of significant land investments and transactions.

Considered strategic acquisitions and disposals of joint ventures and subsidiaries.

Environmental, social and governance

The Board reviewed and agreed amendments to the Group's sustainability policies to ensure that they remain appropriate and fit for purpose.

Discussions around ensuring adequate resource being available to drive the sustainability agenda forward resulted in the appointment of a new Group Sustainability Director. In addition, the Board is exploring the benefits of establishing a Sustainability Committee to enhance its focus in this area.

The Board considered and approved science-based targets to show the Group's commitment to reducing carbon emissions. Under these targets, the Group aims to reduce direct emissions by 29% by 2025 and indirect emissions by 2% by 2025, and 11% by 2030.

Reviewed, considered and updated potential conflicts of interest at each meeting and reviewed the recommendations of the Nomination Committee's more detailed annual review.

The Board reviewed and updated its Terms of Reference (including Matters Reserved) and that of the Chair, Senior Independent Director and the Chief Executive in line with the Code and best practice guidance.

Attraction, recruitment and retention

Considered work done by the Group to mitigate workforce skills shortages and steps taken to aid retention, development, attraction and recruitment.

Financial and liquidity

Reviewed the proposed budget and five-year business plan, approval of which is subject to the impact of COVID-19.

Reviewed half and full year results and announcements and the Group's Annual Report and Accounts.

Approved dividend policy for FY20 and considered the policy for FY21 and beyond. Further details can be found in the Chairman's Statement on page 11.

Agreed a one-year extension on the Group's RCF.

Closely monitored the forecast liquidity and cash flows of the Group following the temporary closure of all construction sites, sales centres and offices and the gradual reopening of the same.

Reviewed reports on performance against budget and forecast.

Group pension scheme and Share Awards

Agreed to support the pension trustee with the buy in of the Group's Defined Benefit pension scheme (see page 148 for further details).

Given the reduced share price, and to limit the dilution of shareholdings, made the decision to satisfy options and awards vesting in FY21 with shares purchased in the market and authorised the EBT to purchase the number of shares required.

Link to strategic priorities and principles

- Customer first
- Great places
- Leading construction
- Investing in our people
- Safeguarding the environment
- Ensuring the financial health of our business

Key activities and discussions in FY20	Link to strategic priorities and principles
Risk management and internal controls	
Resilience Based on lessons learnt from previous downturns the Board undertook a review of the Group's resilience prior to the onset of COVID-19. The business is seen to be in a strong position, however further consideration is to be given to the resilience of the Group's supply chain, potential impact of the result of trade negotiations between the UK and the EU, organisational structure and land strategy and land bank. **Risk appetite, risk management and internal controls** Reviewed the Company's appetite for risk, identified emerging risks and approved the principal risks and uncertainties affecting the business. See pages 71 to 78 for further information. Robustly reviewed and approved the effectiveness of internal control and risk management systems. For further information see page 99. Received regular updates from the Audit Committee in respect of internal and external audit reviews. Considered recommendations of the Audit Committee regarding year end matters, including Annual Report and Accounts: fair, balanced and understandable; letter of representation; re-appointment of External Auditor; long term viability statement and adoption of going concern basis of accounting. See the Audit Committee report on pages 109 to 119. **Cladding and Citiscape** The Board continually reviewed the progress being made with the replacement of cladding on our multi-storey buildings and also the issues identified, as part of this review, relating to the design of the reinforced concrete frame at Citiscape, which requires extensive remedial work. At its meeting on 5 July 2020, and as announced on 6 July 2020, the Board agreed to pay for the required remedial action, which would otherwise be borne by leaseholders, despite the Group having no legal liability to cover the costs of this work. The decision reflects our commitment to customers and recognises the responsibility we have for the work of our partners.	Customer first Great places Keeping people safe Being a trusted partner Building strong community relationships Ensuring the financial health of our business
Stakeholder engagement	
Stakeholder engagement is a key focus for the Board and its importance was brought to the forefront during the COVID-19 lockdown. Details of how the Board engaged, directly and indirectly, with its stakeholders prior to, during and since the lockdown period and how this impacted the Board's decisions can be found on pages 38 to 49 in the Strategic Report.	Customer first Great places Leading construction Investing in our people Keeping people safe Being a trusted partner Building strong community relationships

Corporate governance report CONTINUED
Board leadership and company purpose

Culture in the workplace

For any organisation, it is important to have a clear understanding of the culture within which it operates. Whilst the Board sets the culture and tone from the top, each and every employee is responsible for ensuring that the right culture is embedded within everything that we do. A strong culture, which all employees own and which furthers our purpose, underpins our success.

Our purpose

The Company's purpose is to lead the future of housebuilding by putting customers at the heart of everything we do.

The way in which the Board has led the business towards achieving our purpose can be found on pages 89 to 91 activities during FY20, and also pages 38 to 49 relating to stakeholder engagement.

Understanding our culture

Prior to COVID-19, the Board initiated a review to better understand and assess the culture of the business. This involved a variety of activities, which ranged from all employee surveys and discussions with Senior Management, to reviewing feedback from exit interviews and comments from current and former employees through Glassdoor and customer feedback (see the Stakeholder Engagement section on page 42 for more details). A SWOT analysis was then undertaken and themes collated.

↑ Rebecca Roberts, a Site Manager in our South Wales division.

Our culture

The key traits that were identified as the culture of the business were:

Do the right thing

always ensure that what we do is in line with our policies and procedures and looks after the interests of our stakeholders

Customer focus

always strive to meet the expectations and needs of our customers, both internal and external

Resilience and adaptability

always look for new and innovative ways to do things in order to improve efficiencies across the organisation and recognise there is always room for improvement. Always be willing to change the way in which we do things to meet the requirements of stakeholders as well as those set by legislation or regulation

Pride in what we do

always aim to operate in a way that satisfies the expectations of our stakeholders particularly in terms of quality and service

Our work on enhancing the culture of the business was impeded by the onset of COVID-19. Therefore during FY21, the Board will revisit the outcomes of the review to confirm our culture and to formally approve and agree the cascading of the values that will underpin this. In addition, the Board will lead the way in determining what actions are required to further enhance the culture within which we operate. This review will take into account the feedback received from the business and look to ensure continued consistency in our approach throughout the organisation, further support open, honest and transparent communication and ensure that we continue to learn from our mistakes to make Barratt an even better place to work. Details of how culture aligns with our purpose, and strategy can be found on pages 32 to 35 in the Strategic Report.

Corporate governance report CONTINUED
Board leadership and company purpose

KPIs

96%

Health and safety (SHE monitoring compliance)

(2019: 96%)

84.2%

Employee engagement 2020

(2019: 84.5%)*

* Our 2019 engagement score was been re-calculated (from 82%) to use our updated 2020 definition. As part of the transition from our previous independent provider, we made a planned change to the definition of the Engagement Index in 2020. We replaced an engagement measure to be a more valid and robust measure of engagement.

10%*

Employee turnover

(2019: 16%)

* Reduction due to our ongoing efforts in this area and the uncertainties created by COVID-19

How the Board measures and assesses culture

The Board is responsible for monitoring and assessing our culture. The Chair ensures that the Board is operating appropriately and sets the Board's culture. This, in turn, forms the culture of the Company, which the Chief Executive, supported by the other Executive Directors and Senior Management, is responsible for ensuring is embedded throughout the business and its operations and in our dealings with our stakeholders.

The Board measures the culture of the workplace through internal and external KPIs, which also enable it to identify further actions that may be required to ensure that the culture remains appropriate. These are set out below:

- **Safety, health and the environment –** there is zero tolerance towards breaches relating to the health and safety of our employees, suppliers, sub-contractors and the general public. The Group is also conscious of the impact that its operations have on the environment, so the Board are updated regularly of any environmental breaches and of any new or ongoing investigations and outcomes of such.
- **Employee engagement survey –** this survey is conducted annually and contains a number of culture-related questions; the answers to which are reviewed by the Executive Directors and Senior Management team. The Chief Executive reports the findings to the Board. We are looking to further adapt the survey to include questions relating to the core values underpinning our culture once these have been formally defined.
- **Employee retention –** our employees are our greatest asset. It is important that we do everything that we can to retain them. The Board is provided with regular updates on the steps being taken to attract, recruit and retain employees.
- **Policies and procedures compliance –** all policies, processes and procedures are reviewed and signed off by appropriate members of Senior Management and the Executive Directors twice a year. In addition, the Board annually reviews its core policies relating to important governance areas such as anti-bribery and corruption; modern slavery; health and safety, sustainability and anti-money laundering. E-learning modules have been developed for each of these and employees are asked to complete them on a regular basis. The Board is notified of the levels of completion and pass rates. Our Internal Audit team undertake regular reviews on the compliance against policies, processes and procedures and reports its findings to the Audit Committee, who ultimately report to the Board. The Internal Audit team also provide updates to the Board on any matters raised via the Group's whistleblowing procedure (see page 118).
- **HBF Five Star rating –** employees across all levels of the organisation recognise the importance of maintaining high standards of quality to support our strategic priorities of Customer First (page 50 and 51) and Great Places (pages 52 and 53) and to be seen to be doing the right thing. This is supported by the NHBC Pride in the Job Award achievements by our individual site managers (page 55).

Culture in action

COVID-19 may have hampered our progress with completing the review in to our culture and values, but it certainly confirmed how well, our culture especially, is embedded within our business. Below are some examples of our culture in action during FY20:

Doing the right thing

- Temporarily closed all construction sites, sales centres and offices to protect our employees, customers, suppliers, sub-contractors and the general public.
- Continued to pay furloughed employees their normal pay.
- Due to the resilience of the Group's financial position, decided to return the funding received from the CJRS.
- Put in place new health and safety practices and protocols, which are aligned to Government guidance and verified by the British Safety Council.
- Continued to make charitable donations throughout the year including during the lockdown period (see pages 18 and 19)
- Offered support to employees on maintaining physical and mental wellbeing whilst working from home or on furlough, and where assistance can be sought from if required (see page 60)

Customer focus

- Launched deposit contribution schemes for the Armed Forces and also for NHS employees.
- Continued to develop our new CRM system and customer portal to ensure that customers have a single source of information and a repository to keep everything in a central location.
- Introduced virtual appointments to help customers progress their purchases and enabling safe handover of keys whilst adhering to social distancing measures.
- Provided appropriate PPE for Customer Care teams to ensure that they can enter the homes of our customers to undertake remediation works, protecting our employees and our customers.

Resilience and adaptability

- Efficiently and effectively moved all employees to home working arrangements at the onset of the lockdown, including distribution of laptops and other essential equipment to home addresses.
- Deployed innovative pre-cast insulated concrete floor solution form NuSpan and Spantherm into business as usual.
- Took action to conserve cash within the business to increase financial resilience such as cancelling the interim dividend and the final ordinary and special dividends, freezing recruitment, and ceasing or deferring land acquisitions.

Pride in what we do

- Achieved HBF 5 star status for the 11th consecutive year.
- Our site managers won 92 NHBC Pride in the Job Awards – more than any other housebuilder for the 16th year in a row.

Engagement with shareholders and significant shareholdings

The Board engaged with its shareholders in a number of different ways throughout the financial year. Details of this engagement can be found in the Strategic Report on pages 40 and 41.

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 2020, the persons set out in Table 1 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 1 – Notifiable interests

	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
Royal Bank of Canada	30,741,978	3.02	Direct

1. Represents the number of voting rights last notified to the Company by the respective shareholder in accordance with DTR 5.1.
2. Based on the Total Voting Rights as at the relevant notification dates.

On 9 July 2020, the Company was notified that the Royal Bank of Canada's interest in the voting rights in the Company's issued share capital has reduced to below the disclosable threshold. The Total Voting Rights of the Company as announced on 31 August 2020, are 1,018,308,218.

↑ Brendan Saba, Senior Site Manager, Megan Wilson, Sales Adviser and Shaun McGrath, Assistant Site Manager, our team at our Huntingtower site in Perth, Scotland. Image taken prior to the introduction of social distancing guidelines.

Corporate governance report CONTINUED
Board leadership and company purpose

Board balance

The composition of the Board, including the names, responsibilities and other details of each of the Board Directors, is set out on pages 80 to 82. The Board believes the current balance of Executive and independent Non-Executive Directors remains appropriate having regard to the size and nature of the business, and ensures that the Board's decision making is not dominated by any single individual or small group. 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 responsibilities and roles of Board members are clearly defined and set out below.

Board roles and their responsibilities

Chair
John Allan

- 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.
- Ensures the Board receives accurate, timely and clear information.
- 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

- 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.
- Board responsibility for sustainability policies and practices of the Group.

Chief Operating Officer and Deputy Chief Executive
Steven Boyes

- Responsible for the Group's operations including day-to-day responsibility for SHE ensuring stakeholder requirements are appropriately addressed.
- Chairs the Operations Committee meetings, the other members of which include the Regional Managing Directors.

Chief Financial Officer
Jessica White

- Devises and implements the Group's financial strategy and policies.
- Responsible for the management of the Finance, Tax, Internal Audit, Treasury and Investor Relations functions.
- Supports the Chief Executive with his corporate relations responsibilities with shareholders and other stakeholders.
- Manages the Group's relationship with the External Auditor.

Senior Independent Director
Richard Akers

In addition to his role and responsibilities as an Independent Non-Executive Director, the Senior Independent Director is available to shareholders, when required, to:

- address any material issues or concerns which the Chair and/or Chief Executive have failed to resolve;
- listen to their views to gain a balanced understanding of their issues and concerns;
- evaluate the performance of the Chair, at least annually, and meets with the Non-Executive Directors to appraise the Chair's performance;
- act as a sounding board for the Chair and, if necessary, an intermediary for the other Directors; and
- provide 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

- Support and constructively challenge the Executive Directors using the broad range of their experience and external perspective, ensuring the needs of stakeholders are appropriately considered.
- Develop proposals on strategy.
- Monitor the implementation of the Group's strategy within its risk and control framework.

Company Secretary
Tina Bains

- Supports the Chair 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 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 year's 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. None of the Non-Executive Directors, or the Chair, has been an employee of the Group companies or had a material business relationship with them. None of them has close family ties with any of the Company's advisers, directors or senior employees, or holds cross-directorships or has significant links with other directors. None of them represents a significant shareholder or has served on the Board for more than nine years.

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.

John Allan was considered to be independent on appointment to the Board and on taking up the role of Chair. As part of the FY20 annual review of the Chair'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, prior to the lockdown, he spent 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.

The commitment that the Chair and each of the Non-Executive Directors have to the business was further demonstrated during the lockdown whereby each of them attended the additional Board calls to discuss COVID-19, cladding and Citiscape related matters, which were scheduled at short notice and more frequently than normal.

The Chair and the Non-Executive Directors meet regularly without the Executive Directors being present, usually prior to or immediately following Committee meetings, and have held six of these meetings during the financial year.

Membership and attendance at Board meetings

Members of the Board throughout the financial year and attendance at each of its scheduled meetings, as well as at the additional meetings scheduled at short notice to discuss the impact and response to COVID-19, cladding and Citiscape, are shown on page 86.

↑ David Wilson Homes at Drayton Meadows, Market Drayton, Shropshire.

Corporate governance report CONTINUED
Board committees and delegation to committees

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

Board committees

Audit Committee
- Monitors the integrity of the Group's Financial Statements and formal announcements relating to its financial performance, including reviewing financial reporting judgements contained within them.
- Advises the Board on whether the Group's Financial Statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.
- Reviews the Group's internal financial controls and its systems for internal control and risk management.
- Monitors and reviews the independence, objectivity and effectiveness of the External Auditor and the Internal Audit function, and reviewing and recommending to the Board the re-appointment, remuneration and terms of engagement of the External Auditor.
- Development and implementation of the Group's policy on the engagement of the External Auditor to supply non-audit services.

See pages 109 to 119 for full report

Remuneration Committee
- Designs and implements the Group's overall remuneration strategy and policy, ensuring alignment with purpose and strategy.
- Sets the remuneration of the Executive Directors and Senior Management.
- Monitors performance against targets.
- Determines remuneration outcomes for Executive Directors and Senior Management.
- Considers workforce remuneration and related policies and the alignment of incentives and rewards with that of the wider workforce.

See pages 123 to 151 for full report

Nomination Committee
- Monitors the composition and balance of the Board to ensure the right combination of skills, experience and knowledge, and progressive refreshing of the Board and its Committees.
- Reviews succession plans for Board and Senior Management roles and oversees the development of a diverse pipeline for succession.
- In carrying out the above, promotes diversity of Board Directors and Senior Management.
- Ensures effectiveness evaluations of the Board, its Committees and individual Directors are carried out on an annual basis.

See pages 100 to 108 for full report

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

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

See pages 120 to 122 for full report

The Board

Chief Executive

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

Chief Operating Officer

Group management committees

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

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

Treasury Operating Committee
- Reviews the Group's treasury arrangements and approval of changes to debt facilities.
- Obtains Board approval for certain types of facility and where the facility is above the levels delegated to the Treasury Operating Committee.

Allotment Committee
- Approves the allotment of shares within dilution limits and the authorities obtained from shareholders.

Operations Committee
- Manages operational performance.

Safety, Health and Environment Operations Committee
- Develops the SHE strategy for the Group.
- Ensures that SHE policies and procedures are adequately implemented and adhered to.
- Monitors the effectiveness of the Group's SHE systems.
- Keeps up to date with changes in legislation surrounding SHE matters.

Membership of and attendance at Disclosure Committee

The members of the Disclosure Committee are David Thomas, Jessica White and Tina Bains. The Disclosure Committee held four meetings during the year. At two of these meetings all three members were present. Due to the immediacy of the matters discussed at the meetings, often at short notice, the other two meetings were held with a quorum of two out of the three members present.

Internal controls and risk management

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 109 to 119).

Internal Audit has developed a risk framework for all business functions, which has been 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. Further details of the work undertaken by Internal Audit as a consequence of COVID-19 can be found on page 118.

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 71 to 78).

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.

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, we do not anticipate any materially adverse financial effect and our London business continues to operate well.

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

Fair, balanced and understandable

The Board has considered whether the Annual Report and Accounts are fair, balanced and understandable. As part of their considerations, the Board has reflected on the feedback shareholders provided in respect of our 2019 Annual Report and Accounts. It has also set aside adequate time to review and discuss significant areas of the 2020 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 155. The process undertaken by the Audit Committee to assist the Board in their assessment can be found on page 117. 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 that the FY20 Annual Report and Accounts are fair, balanced and understandable.

On behalf of the Board

John Allan
Chair

1 September 2020

Nomination Committee report

Composition, succession and evaluation

John Allan
Chair
2/2

Other members:

Richard Akers
2/2

Nina Bibby
2/2

Jock Lennox
2/2

Sharon White
2/2

■ Meetings attended ■ Meetings held

FY20 key achievements:

- Supported the business in reviewing the process for succession planning for senior managers and other key management positions within the business.
- Reviewed and updated succession plans for the Chief Executive.

Areas of focus in FY21:

- Continue to work on succession planning.
- Continue to support the development of potential internal candidates and increase insight to external talent pools.

> "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**
> Chair of the Nomination Committee

Statement from the Chair of the Nomination Committee

I am pleased to present the Nomination Committee report for the financial year ended 30 June 2020. The Nomination Committee is given its authority by the Board and acts in accordance with its written Terms of Reference, which can be found in the corporate governance section of the Company's website. Our responsibilities are also summarised on page 98. 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 reviewed the composition, skills and experience of the Board and its Committees during the financial year. The Nomination Committee remained satisfied that no changes were required to the Board or its Committees during the year under review. The Committee will continue to consider succession planning at both Board and Senior Management levels and recommend changes to the Board as and when it deems appropriate to do so.

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 satisfactorily. Further information on the Company's progress on diversity and inclusion initiatives is available on pages 60 and 61 in the Strategic Report.

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.

Membership and attendance at meetings

The membership of the Nomination Committee and the attendance at each of its scheduled meetings is set out to the left. The majority of Committee members are considered independent by the Company and in accordance with Code provision 10. Their biographies and qualifications are shown on pages 80 to 82.

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

John Allan
Chair of the Nomination Committee

1 September 2020

Nomination Committee role and activity FY20

Main activities undertaken during the financial year

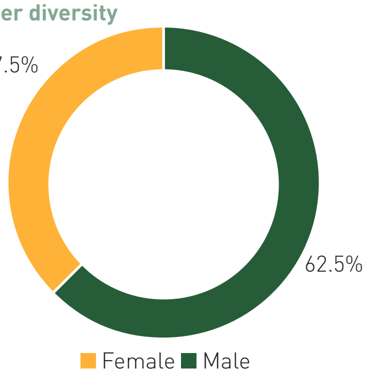
Priorities	Work carried out and outcomes
Governance	**Conflicts of interest** Undertook an annual review of the full register of Directors' conflicts of interest and considered changes to existing conflicts of interest and any new ones notified by Directors, to determine whether these should be authorised and on what terms and conditions the authorisation should be given. Recommendations were then made to the Board. **Nomination Committee report** Reviewed, and recommended to the Board, the Nomination Committee Report for inclusion in the Annual Report and Accounts. **Terms of Reference** Reviewed and updated its Terms of Reference in light of the new Code provisions. **Board Diversity policy** Reviewed the Board Diversity policy and agreed not to implement formal quotas for gender and ethnicity. Agreed that promotion of diversity and inclusion across the business was effective.
Composition	**Board and Committees** Reviewed the structure, size and composition of the Board and of its Committees. The conclusion was that the Board remains appropriate across each of the above categories. However, it was agreed that consideration should be given to how the business can increase focus on sustainability and what additional skills and/or experience, if any, this may require on the Board. **Individual Directors and Board balance** Reviewed the skills, experience and knowledge of each Board member and of the Board as a whole, against the needs of the business. **Independence** Agreed that all Non-Executive Directors (excluding the Chair) remain independent. **Chair and Non-Executive time commitments** Reviewed the time commitment required from the Chair and Non-Executive Directors to fulfil their roles, confirmed that this remains appropriate and concluded that the Chair and each of the Non-Executive Directors have either met or exceeded the required time commitments during the year.
Succession	**Length of service** Assessed the tenure of Board members and held discussions with Directors on expected length of service in order to inform the succession plan. **Re-appointments** Following a review of his effectiveness, it was agreed that the Chair, having served for six years, would be appointed for a further three-year term. **Succession plans** Considered succession plans for Directors and Senior Management. Going forward, the Nomination Committee will increase focus on how employees are being developed and the level of potential candidates available from internal and external talent pools.
Evaluation	**Committee effectiveness** Reviewed and monitored progress against matters arising from its annual evaluation for FY19. Participated in an internal evaluation of its own performance and discussed and agreed an action plan to address issues arising. More information on Board and Committee effectiveness can be found on pages 105 to 108. **Effectiveness of Chair and Chief Executive** Considered and discussed the effectiveness of the Chair and the Chief Executive (without either being present) and concluded that both remain effective in their respective roles. **Training and development** An assessment of the training and development needs for the Board highlighted the following areas: sustainability; SHE; brand values; and IT (particularly cyber security and GDPR).

Nomination Committee report CONTINUED
Composition, succession and evaluation

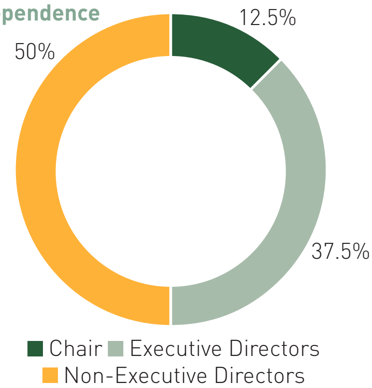
Board composition statistics

The Board and the Nomination Committee are mindful of the importance of diversity to the success of the Company and continue to assess this on a regular basis.

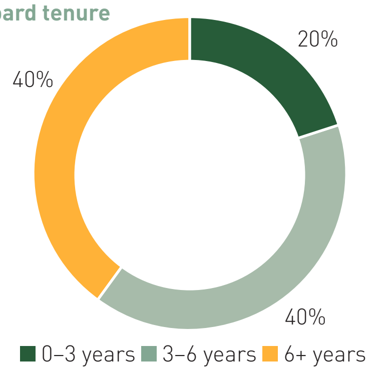
Gender diversity



Independence



Board tenure



Skills and experience (number of Directors with certain skills)

	Directors
Property Industry	5
Finance/Accounting	3
Housebuilding	4
Leadership	8
Retail	3
Public Policy	3
Marketing	1

Board appointment process

Stage 1

Nomination Committee determines any gaps in experience or balance on the Board.

Stage 2

Nomination Committee reviews and approves an outline brief and role specification and appoints an external recruitment consultancy for the assignment, including preferences relating to gender or ethnicity if this is required for Board balance.

Stage 3

Recruitment consultancy prepares an initial longlist of candidates from which it develops a shortlist.

Stage 4

Nomination Committee considers the shortlist and holds interviews with potential candidates.

Stage 5

Nomination Committee makes recommendations to the Board for consideration.

Stage 6

Board agrees terms with the chosen candidate and makes an announcement to investors.

During the year, there were no new appointments to the Board or any of its Committees.

How this supports diversity

In considering its brief to the external recruitment consultancy, the Committee considers the combination of skills, experience and knowledge that it requires and identifies any gaps. As part of this process, the Nomination Committee will also consider the existing balance of gender, ethnicity and social backgrounds to help inform a candidate profile.

The Nomination Committee and the Board will continue to work only with external recruitment consultancies who have adopted a voluntary code of conduct addressing gender diversity. The Nomination Committee and the Board also require external recruitment consultancies to identify and present potential candidates in accordance with the Parker review and its recommendations regarding the ethnic diversity of boards.

Re-appointment and re-election of 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. 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. Non-Executive Directors will normally step down from their position on the Board and its Committees at the AGM following their ninth anniversary. 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 102.

During the year, the Nomination Committee considered the re-appointment of John Allan as Chair for a further three years, given that in July 2020 he would have served six years on the Board. In particular, it looked at his availability outside Board meetings as well as his commitment to the business of the Group given his other directorships and positions. The Nomination Committee was satisfied that throughout his six year tenure, John Allan had positively demonstrated his availability in and outside of meetings and his dedication to the Company. His effectiveness in directing the Company and his objective judgement throughout his tenure was also noted. Accordingly, the re-appointment of John Allan as Chair for a third three-year term was recommended to, and endorsed by the Board.

As in previous years, all Board members will stand for re-election by shareholders at the 2020 AGM. Each of the Directors 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 strategy. Following these reviews, the Nomination Committee and the Board are satisfied that each Director continues to be effective in, and demonstrates commitment to, their respective roles. Biographical details of each of the Directors are set out on pages 80 to 82 of this report and reasons why their contribution is, and continues to be, important to the Company's long term sustainable success can be found in the Notice of the 2020 AGM. Details of the Executive Directors' service contracts can be found in the Remuneration report on page 133. The letters of appointment of all Non-Executive Directors (alongside the service contracts for the Executive Directors) are available for inspection by any person at the Company's registered office during normal office hours or via the Company's website (www.barrattdevelopments.co.uk). Copies will also be available at the 2020 AGM for 15 minutes before the meeting and throughout.

The Board, in light of the results of the performance evaluation and the breadth of experience of each Director, recommends that shareholders approve the resolutions to be put forward at the 2020 AGM for the re-election of the Directors.

Succession planning

Succession planning is a live topic at the Board and Nomination Committee meetings.

Non-Executive Directors

The Nomination Committee reviews annually the length of service of Non-Executive Directors to support the progressive refresh of the Board. As part of this review it takes into account the cyclicality of the business, because lessons gained through one property cycle can be useful during the next.

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.

Executive Directors

During the year, the Board undertook its annual review of the Group's succession plans, and met with the Chief Executive to discuss the succession plans for the other Executive Directors and Senior Management below Board level.

The aim of this review is to identify suitable individuals who are capable of filling senior managerial positions on a medium and long term basis, whilst ensuring their development needs are identified and addressed. It also seeks to ensure that the Board's future needs are met. As part of their development, senior managers who are not 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.

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 59.

How this supports a diverse pipeline

The Board continues to seek to appoint on merit. However, when considering succession plans the Board remains cognisant of the need to ensure that there is a diverse range of individuals who are included in the plan. The business as a whole continues to promote diversity and inclusion from within, particularly in respect of supporting female employees to progress up the career ladder. Further details of the work that has be undertaken in this area can be found on page 104.

Diversity and inclusion

Board Diversity

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 and knowledge. 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, ethnicity, social background and cognitive and personal strengths.

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

Board composition statistics are provided on page 102.

Nomination Committee report CONTINUED
Composition, succession and evaluation

Group Diversity Policy

The Nomination Committee and the Board recognise the importance of a diverse workforce, at all levels of seniority. Promoting diversity at a Senior Management level and more generally across the workforce remains an objective for the Chief Executive and Group HR Director. 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 60 and 61. The main objectives, how they are implemented and progress towards them are set out below.

Objectives	Implementation	Progress
Hold leaders accountable for diversity and inclusion goals.	Data tracking and distribution.	Diversity data down to divisional level produced and distributed every month to enable progress measurement.
Ensure that diversity and inclusion actions and results are communicated and visible across the workforce, to help embed appropriate behaviours.	Local actions.	Each division has a Diversity and Inclusion action plan, which is reviewed regularly and discussed with the Chief Executive and Chief Operating Officer annually.
Improve the representation of women, as well as BAME, LGBT+, disabled people and other minorities across the group.	Launch of second intake of Catalyst – our female leadership development programme.	64 delegates attended launch event in January 2020. All delegates were offered one-to-one coaching.
	Submission to Stonewall Equality Index.	Submission made and feedback received in early April 2020, which will inform future actions.
	Implementation of BAME action plan.	Profiles of colleagues collected and shared internally for role modelling. Signed up to Business in the Community's Race at Work Charter.
	Supporting work placements.	Identified 14 disability work placement opportunities working with various charities. Working with Women In Construction to facilitate work placements in London and the Midlands.
Create an inclusive work environment that fosters creativity and innovation, and promotes employee engagement.	Reciprocal mentoring.	2020 scheme launched. 128 people matched – 64 of which are on the Catalyst Programme.
	Launch employee network.	Launched gender equality employee-led network called 'Under One Roof'.
	Policy review.	Introduced paid leave for carers and those undergoing assisted fertility. Updated family friendly policies with gender neutral language.
Create strong relationships with a more diverse customer base.	Dignity and respect toolbox talks.	Dignity and respect toolbox talks rolled out to all sites for employees and sub-contractors in October 2019.
		Issued a Dignity, Respect and Equality Policy across the business.

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. Last year, the Board appointed Lintstock to facilitate the evaluation. This year, Lintstock supported the Chair and the Company Secretary with the delivery of an internally conducted evaluation. Lintstock has no other connection with the individual Directors or the Company.

Progress on FY19 evaluation

We reported the outcomes of the internal Board evaluation for the last financial year in the 2019 Annual Report and Accounts. Details of progress made on these are set out below.

Table 2 – 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.
Progress made in FY20	The Board received various updates on how the business engaged with its stakeholders and the feedback received. This was taken into consideration when making decisions on various areas. Details can be found in the Strategic Report on pages 38 to 49.	Steps have been taken to understand the culture of the business and how this is perceived throughout the organisation. How the culture of the business will be communicated to the workforce and how it will be measured was being developed pre-COVID-19. Work in this area will continue throughout FY21. Further details on the work undertaken to date can be found on pages 92 to 95.	This continues to be a key area of focus for the Board. The Board formally met with the Chief Executive to discuss succession plans in detail for all levels of the organisation. Updates were provided throughout the year as deemed appropriate and necessary.

Nomination Committee report CONTINUED

Composition, succession and evaluation

Table 3 – The Committees

	Nomination Committee	Audit Committee	Remuneration Committee
FY19 areas of improvement	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's 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.
Progress made in FY20	Information on succession planning, which has taken place during the year, can be found on page 103.	The Chair of the Audit Committee is now invited to all Risk Committee meetings and attends either part or all of each meeting. He also has separate discussions with the Chair of the Risk Committee to ensure that it is focused on the right things and addressing them appropriately. There has been a move to consolidate agenda items over the past year and for papers to have a more risk-based focus. Work on streamlining papers will continue throughout FY21.	The Committee continuously reviews its remuneration structures to ensure that they do not inadvertently encourage inappropriate behaviours and to ensure that they focus the workforce on the right things. As the business recovers from the impact of COVID-19, remuneration structures have been reviewed to: (i) mitigate against risks around retention, succession and rewarding inappropriate behaviours; and (ii) to ensure that the focus is on getting the business back to full capacity efficiently as possible. The Committee is mindful of the various elements that comprise remuneration for Executive Directors and Senior Management, and the wider workforce. The impact of COVID-19 has further highlighted areas where remuneration structures can be simplified throughout the organisation, as well as to ensure that there is alignment throughout. Changes have therefore been made to the metrics for Annual Bonus and LTPP awards for FY21.

Board and Committee evaluation process

Stage 1

Online questionnaires issued to Board and Committee members, and also those who attend Committee meetings on a regular basis.

Stage 2

(External evaluation only) Interviews conducted with Directors and regular attendees.

Stage 3

A summary of the results of the questionnaire and interviews were provided to the Company Secretary for an initial review.

Stage 4

The reports are shared with the Chair and Chairs of the Committees.

Stage 5

Results are presented and discussed at the next Board or relevant Committee meeting.

Stage 6

Actions for improvement are agreed for the next financial year.

FY20 external Board effectiveness evaluation outcomes

Overall the results of the evaluation were positive and showed that the Board continues to be run effectively. It is seen as being cohesive and comprising the appropriate balance of experience, skills and knowledge to implement the Group's strategy over the short term. Board meetings operate in a spirit of openness, fostered by the Chair, in which Directors are able to challenge and discuss openly ideas of importance to the Group, its strategy and risk.

Table 4 – Key areas of improvement for the Board

	Re-establish the business following COVID-19	Risk	Sustainability
FY20 outcomes	To get the business performing at pre-COVID-19 levels as quickly as possible across all metrics.	To perform more horizon scanning for remote but potentially significant unidentified risks.	To increase the knowledge and understanding of the Board and Senior Management on the key areas and how the business may address these.
Actions for FY21	Implement the COVID-19 recovery plan and business renewal plans. Look at lessons learnt and determine what, if any, changes need to be made to the organisational structure, working practices and protocols and strategy once the economic impact of COVID-19 is clearer.	To identify an appropriate process, which will help capture risks that may potentially have not been identified and to determine the best forum to discuss findings and stipulate mitigations against those risks that are most likely to impact the business. To include risks that are not just specific to the business but which may impact the wider economic and/or political environment in which we operate, which ultimately may affect our business operations. Reflect findings within our principal risks as appropriate.	Organise training sessions for the Board and Senior Management team, which explain the key areas of sustainability focus in a comprehensive manner, whilst illustrating how the business can have an impact in this area and the benefits of doing so.

Nomination Committee report CONTINUED
Composition, succession and evaluation

Table 5 – Areas of improvement for the Committees

	Nomination Committee	Audit Committee	Remuneration Committee
FY20 outcomes	Continue to monitor and improve succession plans.	Consider lessons learnt from the impact of COVID-19 and the risks that arose from this. More training around accounting and risk management, and the risks associated with sustainability and ESG including climate change and how the business can look to mitigate against these.	Improve the use of non-financial metrics for variable pay including ESG metrics whilst recognising the constraints and difficulties around delivery as we come out of the pandemic. Increase training around wider workforce pay matters and the broader executive remuneration debate.
Actions for FY21	Continue with the one-to-one meeting with the Chief Executive to understand his thoughts around the succession plans for Executive Directors and Senior Management. Ensure that the succession plans for the Chief Executive, Non-Executive Directors and the Chair continue to be regularly reviewed and remain fit for purpose and relevant.	Engage with the wider business to gain an understanding of the short and long term risks faced by all levels of the organisations during the lockdown, understand how these were mitigated, and what, if anything, could be done further to address these risks. Arrange for external advisers and/or internal specialists to provide comprehensive teach in sessions on their respective topics.	Consider the use of more non-financial metrics for variable pay as part of the overall remuneration policy review in 2021. Engage remuneration consultants to provide annual training on latest thinking on executive remuneration and on wider workforce pay matters.

Evaluation of the Chair and Non-Executive Directors

The evaluation of the effectiveness of the Chair was conducted by the Senior Independent Director with assistance from the Company Secretary. A questionnaire was issued to each Board member (excluding the Chair) and the result was unanimous support for the Chair. Of particular note was how supportive the Chair 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 Chair 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 Chair.

The Chair held one-to-one meetings with each Director to assess the effectiveness of their contributions and to agree any areas of improvement or training and development 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.

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 that may arise for any Board member, including details of any terms and conditions that it deems necessary to impose on any authorisation given. This process was carried out satisfactorily during the year in respect of all Directors.

Throughout FY20, 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 by the Nomination Committee 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.

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

John Allan
Chair of the
Nomination Committee

1 September 2020

Audit Committee report

Audit, risk and internal control

Jock Lennox
Chair
4/4

Other members:

Richard Akers
4/4

Nina Bibby
4/4

Sharon White
4/4

■ Meetings attended ■ Meetings held

FY20 key areas of focus

- In light of COVID-19, realigning priorities for internal audit and consideration of the continuing integrity of internal controls and the financial impact of the pandemic, including liquidity.
- Working with the Risk Committee to improve the focus on emerging risks and receiving in depth reviews on key risk areas, including changes to Help to Buy.
- Reviewing the Group's response to the replacement of cladding on legacy properties and related issues.
- The Group's response to climate change reporting including consideration of data and systems required to meet future reporting obligations.
- The implementation of IFRS 16 for lease accounting; the continuing development of systems, including the implementation of the new valuation system; and the impact of COVID-19 on the assumptions underpinning the Group's key financial judgements.

FY21 key areas of focus

- Continuing to review the impact of COVID-19 especially around the "lessons learnt" review and the related impact on internal controls, risk management and financial judgements; aligning responses with the stakeholder reporting obligations.
- Further consideration of the continuing review of reporting and audit (Kingman, Brydon and CMA) and the implications for the Group, including anticipating the formalisation of internal controls reporting in the UK.
- Developing further the Group's approach to climate reporting ahead of the deadline for reporting under TCFD in 2022.
- In depth review of fraud risk to the business and the appropriateness of the control framework in place to mitigate against it.
- Implementation of the new valuation system.

> "The arrival of COVID-19 has had a dramatic effect on the business and therefore the priorities of the Audit Committee changed as explained below."
>
> **Jock Lennox**
> Chair of the Audit Committee

Statement from the Chair of the Audit Committee

I am pleased to present the Audit Committee's report for the year ended 30 June 2020. The report sets out our work over the year and details how responsibilities in relation to audit, risk and internal control have been implemented. In last year's report I set out the priorities for this year. The arrival of COVID-19 has had a dramatic effect on the business and therefore the priorities of the Audit Committee changed as explained on the following pages.

Role and responsibilities

The Audit Committee is given its authority by the Board and acts in accordance with its written Terms of Reference, which can be found in the corporate governance section of the Company's website. Our responsibilities are also summarised on page 98. 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 our finance, internal audit 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.

Audit Committee report CONTINUED
Audit, risk and internal control

Areas of focus FY20

COVID-19

In common with most UK businesses the arrival of COVID-19 had a dramatic effect on the Company. Prior to lockdown we were delivering strong progress against our medium term targets including increasing completion volumes. By 27 March 2020 all of our construction sites had temporarily closed and all production ceased. At 30 June 2020 all sites had reopened, albeit at a lower level of productivity than "normal". This sequence of events has dominated the work of the Audit Committee through this year end period.

In April 2020, following discussions between myself and the Head of Internal Audit, the internal audit plan was realigned to reflect the changed circumstances. Closer attention was paid to the risk of fraud given the changed working environment and, as a consequence of the lockdown, our employees working remotely from home. We therefore had to review our internal controls, particularly around manual processes and adapt them for the new working arrangements, including updates to the delegation of authority operated across the business.

Adequacy of liquidity was a high priority for the Board and various reviews, including scenarios to reflect a potential further lockdown, have fed into the consideration of going concern and viability presented by management to the Audit Committee.

The changed environment has impacted a number of the assumptions that underpin the key accounting judgements. These together with scenario assessments have been reflected in the proposals presented by management to the Audit Committee. This included the impact of the sudden deterioration in financial performance as a result of the temporary closure over the lockdown period, increasing the risk of impairment of the Group's assets. The Audit Committee has considered in detail management's reviews of the carrying value of goodwill, intangibles and land and work in progress. Additional meetings were arranged post the year end to ensure adequate time was available for review.

The disclosure of the financial impact of COVID-19 has been debated thoroughly by the Audit Committee with management and the External Auditors. We have taken into account the FRC guidance in this area with the aim of ensuring there is adequate transparency in both the financial review/ commentary and the financial statements.

In addition and as outlined in the 2019 Annual Report and Accounts, the other areas of focus for FY20 were as follows.

Cladding on legacy properties

We considered in detail the accounting and presentation in the financial statements of payments which are made in connection with cladding on legacy properties.

Changes in regulation and accounting standards

The key focus in this area has been adoption of IFRS 16 'Leases', which is now in force and has been fully adopted for the FY20 half and full year financial statements. Processes and reporting in respect of IFRS 16 have been developed to ensure accounting disclosures required under the standard are met.

Systems

We reviewed the governance and status of the Group's projects to upgrade the COINS financial reporting system to the latest version on the market and to upgrade the valuation system on a number of pilot divisions in the Group. Presentations and regular updates on both projects were received from the Group Commercial Director and will continue to be provided in FY21. In addition, I met with Jeremy Hipkiss, Group Sales and Marketing Director who has executive responsibility for IT, and the Group IT Director to discuss, and gain further insight into, the Group's IT systems and associated risks.

Principal risks and uncertainties

We have continued to undertake in-depth reviews of any key areas of risk impacting the business, particularly in respect of COVID-19, the UK leaving the EU and emerging risks from climate change.

Relationship with the Risk Committee

We have continued to enhance the relationship with the Risk Committee and I have attended each of the meetings held during the year. Further progress has been made by the Risk Committee to further embed risk management into the business and the Risk Committee has considered the impact of COVID-19 on risk and related mitigation.

Help to Buy

The tapering of Help to Buy from April 2021 and cessation of the scheme from 2023, was leading to changes that were being actively managed by the business. The temporary closure of our construction sites and resultant delays in our build programme further developed the risks of operating under the Help to Buy Scheme. Our site management teams are focussed on the delivery of homes reserved using Help to Buy.

Climate change reporting systems

Climate change reporting as part of an increased interest in ESG more generally was further heightened as a result of the COVID-19 experience and has continued to occupy the Audit Committee's attention. The Government and stakeholders are pushing for enhanced reporting on progress made on helping to reduce climate change. It is therefore imperative that we have the systems and processes in place to collate the required data and ensure that it is accurate and reliable. Disclosure under the TCFD is not applicable to the Group until FY22; however, we will seek to report against the requirements in our FY21 Annual Report and Accounts.

External audit

In last year's Audit Committee report, I wrote about the paramount importance to the Committee of the quality of the external audit. I also acknowledged the increasing regulatory demands being placed on the audit profession. This has resulted in additional costs for the auditor in conducting the audit. For FY20, we have agreed an audit fee (including JVs) of £790,000 (2019: £614,000). This increase reflects inflationary increases for the year, additional audit procedures required as a result of COVID-19, and an increase in the scope of the audit to include the testing of controls for the upgraded COINS system, and changes in the regulatory environment. Further information regarding the audit fees, including fees for the JVs in which we participate, are shown in Note 2.3.4 on page 182.

Audit reform

The Kingman, CMA and Brydon reviews were commissioned in 2018 to review and make recommendations for the reform of audit and corporate reporting. While some change is already underway much will hinge on the consultation by BEIS which is expected later this year. We are considering our readiness in certain areas, for example the potential formalisation of reporting on internal controls in the UK. Thought is also being given to ideas like the Public Interest Statement. We will detail in next year's Annual Report and Accounts which recommendations we have decided to adopt and what progress we have made in implementing them.

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

Jock Lennox
Chair of the Audit Committee

1 September 2020

Audit Committee role and activity FY20

Membership and attendance at Audit Committee meetings

In compliance with the Code, the Committee is comprised exclusively of Non-Executive Directors and each member is considered to be independent by the Company. The Chair of the Board 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 who has previously chaired a number of other listed companies' Audit Committees. He is also the Chair of the Audit Committee Chairs' Independent Forum. 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 on page 109 and the biographies and qualifications of the members are shown on pages 80 to 82. In addition to the Company Secretary, the Head of Internal Audit, Group Financial Controller and representatives from the External Auditor attended each of the Audit Committee meetings. The Chair, Chief Executive, Chief Operating Officer, Chief Financial Officer, and other members of Senior Management also attended meetings (or parts thereof), by invitation. Members of Senior Management included, amongst others, the Group Procurement Director, Group Commercial Director and Group IT Director.

At its June meeting, the Audit Committee established a sub-committee to finalise certain matters delayed due to COVID-19. These meetings took place in July and August 2020.

After each meeting, the Chair of the Committee reported to the Board on the business undertaken by the Audit Committee and made recommendations to the Board as appropriate.

The Audit Committee met the Chief Financial Officer, the Head of Internal Audit and the External Auditor separately and independently of management and the Chair of the Board.

Main role and activities undertaken during the financial year

The main role of the Audit Committee is to assist the Board in fulfilling its 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. In agreeing the annual programme, the Committee takes into account the external environment, internal operation of the business and regulatory changes to ensure that all the main priorities are included.

Audit Committee report CONTINUED
Audit, risk and internal control

Main activities undertaken during the financial year

Priorities	Work carried out and outcomes
Integrity of Financial Statements and announcements	**Accounting judgements and estimates** Considered and approved the material accounting policies, and key sources of estimation uncertainty and critical accounting judgements for the Financial Statements. This included management's approach and conclusions regarding revenue and margin recognition, costs associated with legacy properties, quality of earnings, impairment of goodwill and indefinite life brands, the nature and carrying value of inventories, and completed development provisions. Also considered were the External Auditor's views and findings and the impact of COVID-19. Further information can be found on pages 115 to 117. **Financial Statements** Reviewed and approved the Financial Statements for the half and full year. **Results announcements** Reviewed drafts of the half and full year results announcements prior to consideration by the Board. Reviewed the process established for ensuring that the Annual Report and Accounts are fair, balanced and understandable and concluded that it remains appropriate (further information can be found on page 117). Considered and agreed management's proposals for the improvement of disclosures highlighted by the External Auditor during the audit. Considered, approved and recommended to the Board the drafts of the management representation letters for the half and full year, as provided by the External Auditor, for signature. **Accounting Standards and key regulatory changes** Received updates on the implications of new accounting standards and key regulatory changes, including going concern, cash sources and uses and environmental disclosures under TCFD (including improvements in climate change disclosures in line with the Financial Reporting Lab's report on climate change disclosures). **Tax rate** Reviewed and agreed the Group's effective tax rate and the disclosure in the Group's Financial Statements. **Finance function** Received an update on finance function benchmarking against best practice including results of a survey of internal customers. **Response to FRC letter** Assessed and approved the Group's response to a letter from the FRC regarding disclosures in the FY19 Annual Report and Accounts, including additional disclosures and explanations in the FY20 Annual Report and Accounts. Further information is given on pages 117 and 118.
Going concern and long term viability statements	**Preparation of Financial Statements on a going concern basis** Reviewed and discussed updates to sensitivity modelling for stress tests to reflect current risk scenarios in light of COVID-19, and any mitigating actions required as a result of running the stress tests. The Audit Committee concluded that the stress tests had been carried out on an appropriate basis and agreed with the outcome and mitigating actions. Considered and agreed to recommend to the Board that the Financial Statements be prepared on a going concern basis. **Going concern and long term viability statements** Reviewed and agreed the going concern and long term viability statements for disclosure in the Annual Report and Accounts (see page 79). Assessed the long term prospects of the Company, and agreed the timescale to be covered by the long term viability statement (see page 79). Considered the sustainability of the Company's strategy and business model in view of the principal risks faced by the business and mitigating factors and the appropriate length of the period chosen for the long term viability statement.

Priorities	Work carried out and outcomes
Internal control and risk management systems	**Risk Committee** Regularly reviewed the work of the Risk Committee, which included assessment of risks and mitigations in place for various functions across the business. These comprised, amongst other things, construction risk, mortgage availability, skills shortages, a 'no-deal' exit from the EU, a change in Government, supply chain risk, and emerging risks including climate change. Additionally, the risks to the Group as a result of COVID-19 and mitigations available have also been reviewed. During FY21, the Audit Committee will further explore the emerging risks around sustainability and climate change to ensure appropriate mitigations are developed and put in place. **Effectiveness of risk management** Regularly reviewed and challenged the Group's risk framework, including the Group and Operational risk matrices, and monitored and reviewed the effectiveness of the risk management systems. The risk committee received formal strategic updates from the Group's technical experts on responses to its principal risks, including future house design solutions. Reviewed the newly designed business risk map, including revised risk framework, mitigations identified and controls implemented. The Audit Committee Chair reported to the Board on a regular basis to assist it with its own assessment of risk management systems. **Principal risks** Undertook a robust assessment of the principal risks including those that could threaten the business model, future performance, solvency and liquidity, and the disclosures for inclusion in the half and full year Financial Statements. Due to COVID-19 a number of the Principal Risk ratings have increased (see page 71 to 77 for more details). **Effectiveness of internal controls** Internal controls systems were considered to have been effective throughout the year, and the Committee Chair reported to the Board on a regular basis to assist the Board with its own assessment of internal control systems. Approved the review and update of the delegation of authority matrix and a number of key financial reporting controls as a result of COVID-19 to cater for the revised working practices due to remote working. Internal Audit carried out regular tests on the revised controls and were comfortable that there was no weakening of the control environment. **Whistleblowing** Encouraged the re-circulation of the details of the whistleblowing hotline to the business together with information on the process for reporting any incidents anonymously. Further details on whistleblowing matters can be found on page 118. Reviewed the Group's procedures for the protection of whistleblowers and were satisfied that these were appropriate. **Risks and processes – in depth assessments of specific areas** Reviewed the impact of IR35, implementation of the new valuation system and related risks, the internal controls around joint ventures, supply chain risk and mitigation. The Head of Internal Audit updated the Committee on progress towards implementation of the new valuation system. The Audit Committee acknowledged that the risks associated with the upgrade to the new valuation system will extend into FY21. Going forward there will be an annual review of the risks associated with joint ventures.

Audit Committee report CONTINUED

Audit, risk and internal control

Priorities	Work carried out and outcomes
Internal audit	**Meeting without management** Met with the Head of Internal Audit without management present. No material issues of concern were identified. **Internal audit plan** Approved the annual Internal Audit plan for FY20 and monitored progress against this throughout the year. Due to COVID-19 the FY20 Internal Audit plan was suspended in March 2020 and replaced with a flexed approach approved by the Audit Committee. Considered and approved a new approach to divisional audit for the first half of FY21. The new approach combines traditional divisional audits (undertaken remotely) with continuous monitoring and group wide audit themes, which have been assessed based on key risk priorities. Given the success of this approach during the lockdown period, the Internal Audit plan for FY21 has been adapted accordingly. **Internal audit work during COVID-19** During the lockdown period, a programme of new, continuous monitoring, data analytics and weekly/monthly remote auditing was commenced to monitor trends, identify any unusual transactions and to ensure that key controls over areas such as orders, invoice and payment approval and balance sheet reconciliations continued, as well as ensuring that risks around duplicate payments and employee and supplier master data changes continued to be mitigated and controlled. The Head of Internal Audit kept the Audit Committee fully informed on the outcomes of audits undertaken throughout the business. Appropriate action plans have been agreed to address areas of improvement identified. The Head of Internal Audit monitors the completion of these action plans. **Effectiveness of the Internal Audit function** Reviewed the Internal Audit improvement plan following the strategic review of the internal audit function (carried out by a third party and including external benchmarking). **Internal Audit Code of Practice** Reviewed and approved the changes proposed to the Group's code of practice to bring it in line with the requirements of the Institute of Internal Audit's Code of Practice issued in January 2020.
External audit	**Audit plan** Reviewed and approved the FY20 external audit plan. **External auditor's reports on half and full year Financial Statements** Considered and discussed the audit findings for the half year and full year, including presentation of adjusted items and disclosure of segmental reporting. CJRS grant income has been presented as an adjusted item in, and segmented reporting has been removed from, the FY20 Financial Statements. **Meeting without management** Met with the external audit partner without management being present to discuss any concerns. No material matters of concern arose from the discussion. **Audit and non-audit fees and services** Regularly reviewed the ratio between audit and non-audit fees to ensure that it remains within authorised limits (further information is provided on page 119 and in Note 2.3.4) and also the provision of non-audit services. Reviewed and agreed the proposal to increase audit fees, subject to scope of the audit being agreed for each financial year. **Independence of the External Auditor** Assessed and satisfied itself of the independence of the External Auditor and sought confirmation from the audit partner of its compliance with the relevant ethical standards (more information is given on page 119). **Effectiveness and performance of the External Auditor** Reviewed the results of questionnaires from different areas of the business to understand the overall effectiveness of the External Auditor, and areas for improvement. Determined that the External Auditor continued to be effective in its performance and agreed to recommend its re-appointment to the Board for FY21. The Audit Committee noted areas for improvement and the External Auditor's own intention to carry out a review of the quality of its services and present its findings to the Audit Committee.

Priorities	Work carried out and outcomes
Governance	**Corporate governance disclosures for the Annual Report and Accounts** Reviewed the Corporate Governance Report, including whether as part of the Annual Report and Accounts, it was fair, balanced and understandable and recommended the same to the Board for approval. **Received updates on general corporate governance requirements** Considered the content and potential impact of the recommendations from the Kingman, CMA and Brydon Reports. **Terms of Reference** Reviewed and updated its own Terms of Reference to align them with best practice. **Policies on anti-bribery, anti-money laundering, competition compliance and ethics** Each policy was reviewed, updated and approved in the context of evolving governance, regulation and best practice. **Committee effectiveness and evaluation** Progressed actions arising from the FY19 externally facilitated evaluation and discussed and agreed an action plan to address issues identified by the evaluation of its performance in FY20. A description of the work carried out on effectiveness evaluation can be found on pages 105 to 108.

FY20 Financial Statements

Significant issues considered during the financial year

The significant issues considered by the Audit Committee in relation to the Financial Statements during the financial year were addressed as set out below. This is not a complete list of all the accounting issues, estimates and policies, but includes those which the Committee considers are the most significant, due to their potential impact on the performance of the Group's activities.

COVID-19 has presented a pervasive challenge to the business .The Audit Committee required Senior Management to demonstrate that the Annual Report and Accounts give a true and fair representation of the impact of the pandemic, including on the judgements made in the preparation of the Financial Statements and the Group's future prospects. External audit have provided assurance over this matter.

1. Critical accounting judgements and key sources of estimation uncertainty

These are set out in the table on page 116 and 117.

2. Going concern

The Audit Committee:

- using the Group's business plan, assessed the Group's available facilities, headroom and banking covenants;
- reviewed management's detailed analysis, which included forecasts and scenarios considering the Group's principal risks and the downside prospects for the UK economy and housing market, including changes to the Help to Buy scheme in March 2021, the UK's withdrawal from the EU and potential further disruption to site activities as a result of COVID-19;
- 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 in note 1.3 on pages 173 and 174, and the Group's going concern statement can be found on page 79.

Senior Management considered various scenarios and sensitivities relating to each of the above significant issues. This included a reasonable worst case scenario in which sales volumes and average selling prices fall below their pre COVID-19 levels by 25% and 10% respectively, construction costs increase by 5%, and that the Group temporarily closes its operations for two months in response to a national resurgence of COVID-19. The information presented set out how the Group's activities would be affected under each scenario and the potential mitigations available in each case. Having reviewed the scenarios and sensitivities in detail, the Audit Committee concurred with management's conclusion that the Company and the Group continue to be a going concern and the Financial Statements should be prepared on a going concern basis.

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 the External Auditor.

In the year the Company adopted and revised the application of certain accounting standards. IFRS 16 (Leases) was applied from 1 July 2019 for the first time. In view of the significant reduction in significance over time the Commercial segment has now been absorbed into Residential to form a single segment. In addition, in accordance with IFRS 32 (Financial Instruments - Disclosure), it was determined that the Group's cash balances and bank overdrafts should be presented gross rather than net with prior periods being represented. There was no change to net cash. In each of these cases the Committee received reports from management and the external auditors and agreed with the proposed treatment and disclosure.

Audit Committee report CONTINUED
Audit, risk and internal control

Significant issues considered by the Audit Committee relating to the Financial Statements for FY20 comprise:

Significant issues relating to Financial Statements:	How these issues were addressed:
Margin recognition	
The Group holds £5,027.9m of land and WIP across housebuilding and commercial developments and during the year has recognised £614.3m of gross profit. 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 allocates 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. The Group has reassessed its estimates on a site-by-site basis to incorporate the expected extension of site duration caused by COVID-19 and the adoption of COVID-19 safe working practices and protocols. It has also assessed costs incurred during the controlled closure of construction sites and directly charged any relating to non-productive site overheads or safety to cost of sales in the income statement.	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, the External Auditor reported on its findings and recommendations following their attendance at valuation meetings as part of the external audit process. The Audit Committee also considered the results of the Group's internal audit reviews across the business. The Audit Committee considered management's assumptions and estimates in the assessment of margin recognition based on site performance and the valuation of inventory including the impact of the expected extension of site durations following COVID-19, based on recoverability over the remaining activity of the site. Based on the results of the internal audits, the views of the External Auditor 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.
Costs associated with legacy properties	
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 the Group's buildings, including the cladding used, as compliant with the relevant Building Regulations at the time of completion. Following this review, the Group has incurred and accrued £11.4m of costs for work involved at legacy properties associated with removing and replacing cladding. When cladding was removed from 'Citiscape', issues relating to the design of the building's reinforced concrete frame were identified, requiring extensive remedial work. As a responsible developer, the Group appointed independent structural engineers to review all other developments where reinforced concrete frames were designed by either the same original engineering firm or by other companies within the group of companies which has since acquired it. The Group has incurred and accrued £28.5m of costs relating to Citiscape and the associated review. While in most cases the Group has no legal liability, in line with its commitment to put customers first it has ensured that no costs associated with these remedial works will be borne by leaseholders.	The Audit Committee reviewed and agreed the basis on which the costs associated with legacy properties have been accrued and their classification within the Balance Sheet. Representations for the amounts recognised were obtained from both Senior and local management and the underlying judgements challenged. Corroboration of the extent of the issues was obtained from independent experts. The Audit committee also sought the opinion of the External Auditor prior to making any conclusions. The Audit Committee also considered and agreed the appropriateness of presenting these costs as adjusted items in the income statement, assisted by feedback from the External Auditor.

Significant issues relating to Financial Statements:	How these issues were addressed:
Impairment of goodwill and indefinite life brands	
The Group has £805.9m of goodwill and £101.1m 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 2020, all of which is attributable to its housebuilding business. 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 was also recognised on the acquisition of Oregon. These assets are amortised as set out on page 195.	The Audit Committee considered the level of goodwill and intangible assets with an indefinite useful life held on the Group's balance sheet of £907.0m and whether, given the future prospects of the Group and Oregon, the value of goodwill held on the Balance Sheet remains appropriate. As part of the review, the Audit Committee considered the appropriateness of the calculation of the discount rate, the Group's risk adjusted cash flows and scenarios, and the probability of each scenario arising. The paper, which was considered at the August Audit Committee meeting, outlined the assumptions made, the sources for these assumptions, and the resulting valuation. The External Auditor also reported on goodwill and intangible assets valuation at this 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 the External Auditor, the Audit Committee agreed with the estimates made by management and concluded that the valuation of goodwill and intangible assets remains appropriate.

Fair, balanced and understandable considerations and conclusions

The Audit Committee received a draft of the Annual Report and Accounts prior to its August 2020 meeting, together with supporting material from management and the External Auditor. At the meeting it considered and assessed the process undertaken in drafting the Annual Report and Accounts to determine whether the 2020 Annual Report and Accounts were fair, balanced and understandable.

Considerations

- The feedback provided by shareholders in respect of the 2019 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.
- A report from the Company Secretary, which confirmed that: i) the process involved collaboration between various parts of the Group including the Group Finance team, Company Secretariat, Group Communications, Investor Relations and the Sustainability team; ii) the Annual Report and Accounts had been reviewed by the Executive Directors; and iii) the Company had received confirmation from its external advisers that the Annual Report and Accounts adhered to the requirements of the Companies Act, the Code, the Listing Rules and other relevant regulations and guidance.

Conclusions: The Annual Report and Accounts

- Clearly, concisely and accurately reflected the Group's and Company's performance in the year under review, including the impact of COVID-19.
- Contained an accurate description of the business model.
- Correctly reflected the Group's and Company's purpose, strategy and culture.
- Included consistent messaging and clear linkage between each of the sections of the Report and Accounts.
- Included KPIs, which were consistent with the business plan and remuneration strategy.

The decision was reached that the Annual Report and Accounts was 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 should be recommended as such to the Board.

FRC

During the year the Group received correspondence from the FRC's Corporate Reporting Review Team who had reviewed the FY19 Annual Report and Accounts. The FRC's role is to consider compliance with reporting requirements and consequently their review does not provide assurance that the FY19 Annual Report and Accounts were correct in all material respects. The FRC raised a number of enquiries, on which the Group was required to respond, to help the FRC Corporate Reporting Team to understand how the Group had satisfied relevant reporting requirements.

The queries related to:

- The disclosure of contract assets, contract liabilities and revenue recognised over time;
- Accounting for local contributions and physical works;
- The sensitivity of pension scheme liabilities to changes in the discount rate; and
- Supply chain financing and reverse factoring arrangements.

In addition, the Group was encouraged to make improvements in relation to a number of observations made by the FRC in the FY20 Annual Report and Accounts if these were material and relevant.

Audit Committee report CONTINUED
Audit, risk and internal control

The Group, assisted by the External Auditor, compiled a comprehensive response to the FRC's queries and agreed to enhance disclosures in the FY20 Annual Report and Accounts to address the matters raised. The Group's response was approved by the Chair and the Chair of the Audit Committee and submitted within the requested time requirements.

The FRC were satisfied with the response and the proposed disclosures for FY20 and confirmed that no further response was required and closed the enquiry. The Group has reflected the agreed changes to specific disclosures relating to the matters listed above in the FY20 Annual Report and Accounts.

Internal controls and the risk management process

The Audit Committee monitors the Group's risk management and internal control systems, including their effectiveness, 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 71 to 78; 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 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, with additional testing performed as a result of and reflecting the impact of COVID-19 including the temporary closure over the lockdown period, 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.

Whistleblowing

The Head of Internal Audit updated the Audit Committee on whistleblowing incidents at each meeting. Concerns can be raised with managers, or reported anonymously to a confidential and independent hotline. The hotline is available 24 hours a day, with any issues notified immediately by email. Any issues requiring urgent attention, (including corruption, human rights abuses and safety) are notified to the Head of Internal Audit by phone, including over the weekend. The Head of Internal Audit reviews and investigates the issues raised. The Audit Committee reviews the overall procedure, the investigations and outcomes as well as the availability and frequency of use of the whistleblowing hotline. During the year, the Audit Committee reviewed the Group's process for protection of whistleblowers and is satisfied that this remains appropriate and that the investigations have been dealt with sensitively and in a timely manner. Therefore, the Audit Committee is comfortable with the outcomes reached. The Chair of the Audit Committee updated the Board on whistleblowing reports and investigations on a regular basis and the Board reviewed the whistleblowing arrangements and discussed the most material issues.

Internal audit

Information regarding the Internal Audit matters considered by the Committee is given in the activities table on page 114.

To further improve the effectiveness of Internal Audit, the Head of Internal Audit continued the strategic review of the Internal Audit function started in FY19. The results of internal surveys of Senior Management and key users were supplemented by external benchmarking.

Improvements recommended by the Head of Internal Audit included:

- consolidation of the different types of divisional audits undertaken into one risk-based divisional audit approach;
- implementation of a formal management action tracker; and
- improvement and simplification of audit reporting.

Two key strategic objectives of the function were identified in response to the benchmarking, comprising:

- development of an Internal Audit Improvement Plan with the aim of ensuring provision of value added risk based assurance, improvements to business partnering and ensuring the team has adequate and relevant skills; and
- the Introduction of the Barratt Risk and Internal Control Framework (BRICK).

Progress on achievement of these objectives, due to commence in the second half of the year, was stalled by COVID-19. Plans for FY21 have been agreed and are progressing now that the business has returned to full capacity. This includes the rollout of business-wide reviews of key processes and policies, supplemented by continuous monitoring of risk areas and in-depth divisional audits.

The closure of construction sites, sales centres and offices in response to COVID-19 required the Group to adapt its ways of workings, including its control framework. Internal Audit provided continual feedback concerning the appropriateness of proposed changes to controls. In addition, the Group's audit programme was adapted to be workable under and more applicable to the new working environment. This resulted in improvements to the efficiency and relevance of audit work that will be continued after our offices reopen.

The Audit Committee considered the effectiveness of the Internal Audit team 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.

External audit

Audit performance and effectiveness

The Audit Committee assessed the performance of the External Auditor and the effectiveness of the external audit for FY20. In coming to its conclusion the Audit Committee reviewed amongst other matters:

- feedback on the effectiveness, performance and knowledge of the external audit from Group, divisional and regional management and the Head of Internal Audit, and their responses to previous management feedback;
- Deloitte LLP's fulfilment of the agreed audit plan for FY20;
- 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, including its own representation about its internal independence processes.

During the course of the audit, the External Auditor challenged management's judgements and assertions on the following matters:

- Margin recognition, and in particular the impact of COVID-19 on current and future site margins;
- The presentation of adjusted items and COVID-19 related costs in the income statement;
- Costs relating to legacy properties; and
- The assumptions underlying the presentation of the Financial Statements on the basis that the Group is a going concern.

The Audit Committee asked the External Auditor to confirm if they felt that the Financial Statements provide a true and fair reflection of the impact of COVID-19 on the performance of the business, which the External Auditor subsequently did.

The Audit Committee concluded that the audit process as a whole had been conducted robustly, the External Audit team selected to undertake the audit had done so thoroughly and professionally, and the External Auditor had applied sufficient experience and understanding of the housebuilding industry, consulted with accounting and real estate experts as necessary, and is of sufficient size to conduct a national audit. Deloitte LLP's performance as auditor to the Group during FY20 was therefore considered to be satisfactory.

In addition, the Audit Committee was satisfied that management had provided the External Auditor with appropriate access to its operations and head office teams, systems, records and supporting information, whilst acting professionally and with appropriate challenge, enabling the audit to be conducted effectively.

Auditor independence and non-audit fees

Following the review reported in the 2019 Annual Report and Accounts, with effect from 1 July 2020, the Company's Policy on Auditor Independence and Non-Audit Fees caps non-audit fees at 70% of the average audit fees over the previous three years. The Audit Committee continually monitors the ratio of non-audit to audit fees to ensure that it does not exceed this cap. For FY20, non-audit fees (including audit-related assurance services) for the Company, its subsidiaries and JV's represented 7.8% of the total audit fee. Further details of the audit and non-audit fees incurred by the Group can be found in Note 2.3.4 on page 182. The non-audit fees related to the work undertaken by Deloitte LLP in its role as external auditor to the Group for the review of the half year report, technical support provided in drafting the response to a letter from the FRC's Corporate Reporting Review Team and a short term, limited scope, piece of advisory support. It was felt that this work was best performed by the Group's auditor given its experience and knowledge of the Group. Accordingly, the Audit Committee was satisfied that both the work performed by Deloitte LLP, and the level of non-audit fees paid to it, were appropriate and did not raise any concerns in terms of Deloitte LLP's independence as auditor to the Group.

The Policy sets out the duties of the Committee with respect to protecting the objectivity and independence of the auditor. The pre-approval levels and conditions required for different non-audit services which might be required from the auditor, together with those services that are not permitted under any circumstances are detailed in the Policy. The Policy also sets out restrictions on the recruitment of employees from the Group's external auditor. The policy is available at www.barrattdevelopments.co.uk/investors/corporate-governance. There are no conflicts of interest between the members of the Audit Committee and Deloitte LLP.

The Audit Committee requires written confirmation from the External Auditor annually that it remains independent. For FY20 Deloitte LLP provided a comprehensive report to the Audit Committee verifying that it had performed its audit and audit-related services in line with independence requirements and explaining why it believed that it remained independent within the requirements of the applicable regulations and its own professional standards. The report also explained why the ratio of audit to non-audit fees and the extent and type of non-audit services provided was appropriate.

Following receipt of confirmations from the External Auditor, and the completion of its own review, the Committee endorsed the External Auditor's conclusions that the Policy had been appropriately complied with throughout the year under review, that there were no items that might affect the independence of the External Auditor, and that the non-audit fees remained at an appropriate level.

External audit tender

Deloitte LLP were first appointed as external auditor to the Group in 2007. The Group therefore put the audit out to competitive tender in FY17, as reported fully in the FY17 Annual Report and Accounts. Following the tender, 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 was appointed as lead audit partner for the FY18 audit and continues in this role. The team's second audit partner was rotated for the FY20 audit. The Group's policy is to rotate the lead audit partner every five years.

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 will make recommendations accordingly.

Assessment of the External Auditor

Having considered the External Auditor's performance, the Audit Committee recommended to the Board that the External Auditor remains independent, objective and effective in its role and therefore should be re-appointed for a further year. On the recommendation of the Audit Committee, the Board is putting forward a resolution at this year's AGM that Deloitte LLP be re-appointed as External Auditor for a further year.

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

Jock Lennox
Chair of the Audit Committee

1 September 2020

Safety, Health and Environment Committee report

Richard Akers
Chair
1/1

Other members:

Steven Boyes
1/1

Vince Coyle
Group SHE Director[1]
1/1

■ Meetings attended ■ Meetings held

1. The Group SHE Director is not a member of the Board or the Executive Committee.

FY20 key achievements

- Managed the risks associated with the temporary closure of our construction sites, sales centres and offices during the COVID-19 lockdown, and their subsequent re-opening.
- Continued with our wellbeing and occupational health programmes, and supported our supply chain to meet this obligation.
- Progressed our programme of random drugs and alcohol testing in line with our policy in this area.

Areas of focus in FY21

- Ongoing focus on compliance with social distancing requirements and management of COVID-19 related risks.
- Revisit training and induction of Board members to ensure that they can continue to visit sites safely.
- Formalise the use of more regular reporting on progress and adaptation of policy to reflect the fast changing circumstances of COVID-19, as adopted during the COVID-19 pandemic.

> "The SHE team were fully engaged in assessing the risks associated with COVID-19 in advance of the temporary closure of our construction sites, sales centres and offices and afterwards in planning for the re-opening."
>
> **Richard Akers**
> Chair of the Safety, Health and Environment Committee

Statement from the Chair of the 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 final quarter of FY20 has been particularly challenging for the business as a consequence of COVID-19. The SHE team were fully engaged in assessing the risks associated with COVID-19 in advance of the temporary closure of our construction sites, sales centres and offices and afterwards in planning for the re-opening.

The pandemic presented particular challenges in ensuring our operations could re-commence following lockdown, whilst implementing enhanced safe systems of work. We assessed our specific operations including activities and interfaces with stakeholders on our construction sites, in sales centres, manufacturing operations and within our customers' homes. In accordance with Government, Industry and Public Health guidance we put in place mitigating working practices and protocols to ensure that social distancing could be effectively managed. In considering appropriate measures, we consulted with employees who would be required to implement them and this feedback was invaluable in the development of proportionate and flexible controls. The SHE practices and protocols that we put in place were subsequently verified by the British Safety Council. The focus for FY21 will be on monitoring compliance with the risk mitigation measures put in place and adjusting those measures where necessary to ensure the workforce, customers and suppliers are kept safe.

The SHE Committee's activities continue to help mitigate some of our key operational risks relating to SHE. By receiving reports and challenging those tasked with SHE performance where necessary, the SHE 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 SHE 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 SHE;
- 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.

Membership and attendance at SHE Committee meetings

The members of the SHE Committee and their attendance at the scheduled meetings during the year are shown on page 120. 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 Chair, to attend all or part of any meeting where it is deemed appropriate.

Two SHE Committee meetings had been scheduled for FY20; however, due to the onset of COVID-19 and the lockdown, the meeting in March 2020 was cancelled to enable individuals to focus on the safe temporary closure of our construction sites, sales centres and offices. Richard Akers, as Chair of the SHE Committee, was kept fully informed of changes to SHE practices and protocols and policies throughout the whole period.

↓ Andy Robson a Project Manager at our Exeter division.

Safety, Health and Environment Committee report CONTINUED

Main activities undertaken during the financial year

Priorities	Work carried out and outcomes
Social distancing and other SHE measures	Agreed new SHE practices and protocols to be put in place to protect our employees, customers, suppliers and sub-contractors as they return to our construction sites and also agreed the controls put in place to monitor compliance with the new measures.
Board SHE visits	Under normal circumstances all Directors will attend a SHE site visit with the Group SHE Director. Unfortunately, due to COVID-19, these were not completed during FY20. These SHE site visits are invaluable as they not only play an important role in ensuring our Board has a full understanding of SHE policies and processes, it also shows the Board's commitment to SHE and its importance to the business and our culture.
IIR	We continue to monitor our SHE performance targets, our key performance indicators and our IIR, all of which are available in the Strategic Report on pages 62 and 63.
SHE management System	Updated and reviewed the SHE management system. Monitored and updated SHE policies and procedures to ensure they are aligned with latest regulations and best practice, and continuously improved to ensure continued relevance. As a consequence of COVID-19, a series of rapid reviews and changes have been implemented to our SHE management system, policies and procedures throughout the last few months of FY20 to ensure that they remain effective, relevant and market leading during the rapidly changing situation. A review by the British Safety Council of our policies, procedures and arrangements relating to the control of COVID-19 confirmed that the protocols and associated control arrangements put in place were in accordance with Government and sector-specific guidelines, and that arrangements for continual monitoring of their effectiveness were in place.
SHE training and compliance	Reviewed and confirmed that the SHE training provided to employees and site-based workers remains fit for purpose and up to date. Continuously monitor attendance by employees at prescribed SHE courses and ensure that they familiarise themselves with the SHE policies, processes and procedures during their induction. Received reports on the compliance, application and implementation of our SHE management system and the outcomes of site monitoring visits undertaken and agreed the action plans put in place to address areas of improvement.

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. This testing was postponed during the lockdown period but will recommence during FY21.

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.

Working from home or being on furlough is a new experience for many of our employees. It was therefore vital that we continued to support their physical and mental wellbeing throughout this unprecedented time. With support from our HR team, employees were provided access to a variety of webinars, e-learning modules and newsletters, all of which contained tips and guidance on staying healthy physically and mentally. Virtual 'drop-in' sessions were also introduced to enable employees to interact not only with the experts on hand but with other colleagues to share experiences and learn from one another or just to have a social chat.

Engagement with sub-contractors

During FY20 we continued to work with our groundworks contractors following the seminars we held with them in FY19. As part of the improvement plan we have embarked on the following initiatives:

- provision of cabs on dumpers (six tonnes or over) from January 2022;
- further controls for segregation of plant and pedestrians, including onsite trials of auto-detection equipment;
- enhanced levels of training for onsite supervision; and
- improved standards for all types of plant provided onsite.

Many of these items were put on hold due to COVID-19, however the SHE team are committed and eager to get these up and running again during the course of FY21.

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.

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.

Richard Akers
Chair of the SHE Committee

1 September 2020

Remuneration report
Annual statement from the Chair of the Remuneration Committee

Richard Akers
Chair
4/4

Other members:

John Allan
4/4

Nina Bibby
4/4

Jock Lennox
4/4

Sharon White
4/4

■ Meetings attended ■ Meetings held

FY20 key achievements

- Embedded extension of Remuneration Committee remit.
- Reviewed and agreed changes to FY20 remuneration in light of COVID-19 and proposals for how to deal with FY21 variable remuneration with the ongoing uncertainty.
- Updated Remuneration Policy to bring it in line with market practice.

Areas of focus in FY21

- Consider whether a fuller review of Remuneration Policy is appropriate.
- Set suitable targets for FY21 bonus and LTPP in light of ongoing uncertainties.

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

Richard Akers
Chair of the Remuneration Committee

On behalf of the Board, I am pleased to present our Remuneration report for the year ended 30 June 2020. Our Remuneration report comprises three parts: this Annual Statement, the Remuneration Policy and the Annual Report on Remuneration.

Remit of the Remuneration Committee

Last year, I reported that we would be working to further embed the extension of the Remuneration Committee's remit as set out in the 2018 Code. For the first nine months of the year this was one of our key focus points, however, this all changed with the onset of COVID-19. Details of how we have applied the requirements of the 2018 Code can be found throughout this Remuneration report. Our policy operated as intended through the year, including enabling us to effectively manage the impact of COVID-19 on remuneration.

COVID-19 – actions taken

On 27 March 2020, we temporarily closed all of our construction sites, sales centres and offices to ensure the health and safety of our workforce as COVID-19 gripped the country. As a consequence, the business furloughed c. 85% of its workforce and took advantage of the CJRS to safeguard jobs. The Executive Committee recognised that the current circumstances were unprecedented and that steps needed to be taken to assure furloughed employees that they would continue to be supported by the Group financially. Accordingly, it was agreed with the Remuneration Committee to continue to pay all furloughed employees their normal pay throughout their period of furlough.

Members of the Board, the Executive Committee and the Regional Managing Directors all took a voluntary 20% reduction in their salaries/fees effective from April 2020 until the Group was able to restart on its construction sites. In addition, following the Board's decision to cancel the interim dividend, on the recommendation of the Executive Directors, the Remuneration Committee used its discretion to decide that there would be no payments made under the FY20 annual bonus scheme. In line with our commitment to shareholders, we have set out the targets for the FY20 annual bonus scheme in Table 12 on page 144. No other discretion was exercised in the year.

Given that the Group remained financially resilient throughout the lockdown period, following the business restart, we made the decision to return the funding received from the CJRS in July 2020.

FY20 performance and reward

The lockdown period has had a significant impact on our financial performance this year and on the strong progress that we had been making against our medium term targets. Having decided not to make any payments under the FY20 annual bonus scheme this only left performance against the 2017/18 LTPP to be considered by the Remuneration Committee. Unfortunately, neither of the EPS nor the ROCE targets were achieved but the TSR performance condition was partially met, resulting in 19.35% of the 2017/18 LTPP award vesting for Executive Directors. The Remuneration Committee believes that as the 2017/18 LTPP recognises the long term performance of the Company over a three-year period, and given the strong alignment to the shareholder experience through TSR, it is appropriate to allow this award to vest in line with performance outcomes. Full details are set out on Table 14 on page 145. The net shares (after the payment of any tax and NI due on release) will be subject to a further two-year holding period. The Remuneration Committee considers the bonus and LTPP outcomes are appropriate and reflect the overall performance of the Group during the relevant performance period.

Remuneration report CONTINUED
Annual statement from the Chair of the Remuneration Committee

Remuneration Policy review

Shareholders last approved the Remuneration Policy in 2017 with over 98% of votes cast in favour. This policy operated as intended during the year. We are required to present a new policy to shareholders for approval at our 2020 AGM. The Remuneration Committee has carefully considered the appropriateness of an in-depth review of our policy at the current time. In particular, we have taken into account the IA's guidance encouraging companies not to undertake extensive policy reviews while the COVID-19 pandemic continues. The Remuneration Committee agreed that whilst we are required to put our Remuneration Policy to shareholders for a binding vote at the 2020 AGM, the policy will essentially be a continuation of our current policy and include no major changes. However, we are cognisant of recent developments in governance and best practice, which we feel should be incorporated in this policy and which we believe will be welcomed by our investors. I detail these below.

Over the course of the coming months, we will deliberate on whether or not to bring more substantial policy amendments to our 2021 AGM, based on consideration both of our future business strategy and the evolving economic environment. We will engage with shareholders as part of this process.

The Remuneration Committee is proposing the following minor changes to the Remuneration Policy that will be presented for approval at our 2020 AGM. All other aspects of our Remuneration Policy remain unchanged:

- **Executive Directors' pension contributions**
  We are supportive of the requirements of the Code, and the guidance of various advisory bodies (including the IA) on the alignment of Executive Directors' 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 had reduced the maximum contribution to 15% of salary from 25%. As of 1 July 2019, this was reduced further for new joiners to 10% of salary, equal to the maximum employer contribution available to the workforce in general. Having given this matter much consideration, the Remuneration Committee has agreed that with effect from 1 January 2023, the pension contribution rate for incumbent Executive Directors, will be reduced to the rate available to the wider workforce, currently 10% of salary. This is in line with the IA's guidance on Executive Directors' pensions.
- **Remuneration Committee discretion**
  The review of our Remuneration Policy has highlighted some areas where the Remuneration Committee feels that it should have discretion to make adjustments to executive pay in certain circumstances. Should the Remuneration Committee decide to use this discretion, the impact of this and the reasons surrounding the discretion would be disclosed in my statement for the relevant financial year. The main scenarios for use of discretion being included in the proposed policy include overriding formulaic outcomes where they are considered excessive, and flexibility in relation to LTPP payments to leavers in relation to pro-rating awards and timing of release. Further details of these changes are set out on page 131.
- **Post cessation shareholding requirements**
  Our shareholding policy for Executive Directors previously included a requirement for the Chief Executive and the other Executive Directors to commit to holding 100% or 75% of their salary respectively, for a period of two years after they leave employment, in order to be classified as a 'good leaver'. In order to align this policy to IA guidance, we have introduced some amendments so that Executive Directors will be required to hold 100% of their shareholding requirement (currently 200% of salary), or their actual shareholding if lower (based on the share price at the date of leaving), for a period of two years after they leave employment. In order to transition to the revised policy, any share awards vesting from 2020 onwards will be included in calculating the post-cessation shareholding requirement above the limits in the previous policy.

We believe that with these changes, the Remuneration Policy continues to be fit for purpose, aligning the interests of our Executive Directors with those of our shareholders and our business strategy. It also continues to drive appropriate behaviours for the long term success of the Company.

FY21 remuneration

Aligned with the decision made for the wider workforce, the Remuneration Committee has agreed that there will be no salary or fee increases for the Executive Directors and the Non-Executive Directors respectively for FY21.

For the FY21 bonus, performance measures are set out on page 140 along with the details of changes made since last year and the rationale for these. In line with previous years we will disclose the targets for the FY21 annual bonus and our performance against them in our Remuneration Report for the financial year ending 30 June 2021.

In line with guidance from the IA, it is our intention to defer the target setting of the 2020 LTPP for no more than six months from the date of grant, at which point the Remuneration Committee will give full consideration to the performance of the Company. The 2020 LTPP will be granted to all eligible participants, including the Executive Directors, as usual in October. Details of the targets under the 2020 LTPP will be disclosed on our website when they are set and in the FY21 Remuneration report.

Shareholder engagement

In August 2020, we consulted with our major shareholders and the main institutional voting agencies on the proposed minor changes to our Remuneration Policy and on the proposed remuneration for FY21. No areas of concern were raised.

Gender pay gap

The requirement to publish a Gender Pay Gap report in 2020 was suspended by HMRC due to COVID-19. However, as a business, we agreed that it was important to keep stakeholders informed of our gender pay position. Accordingly, we will be publishing our report in September 2020.

Employee engagement on remuneration

We are mindful of the value of engagement with the wider workforce on various matters, including remuneration policies and practices. This became more prominent during the lockdown period. We continued to utilise our Workforce Forum during this period and sought their views on our approach to pay and furlough of employees. In addition, we set up a dedicated COVID-19 email address through which the workforce was encouraged to raise queries, share experiences and make suggestions to the management team on a variety of matters including remuneration. David Thomas, Chief Executive, also provided weekly updates to the workforce via email.

I have attended each of the Workforce Forum meetings during the year, in my capacity as the designated Non-Executive Director for employee engagement, and have been impressed by the engagement of both management and workforce representatives and how well the meetings have been run. Further details on the Workforce Forum and the matters it has discussed can be found on page 42.

Conclusion

The Remuneration Committee believes that the decisions we have taken in respect of FY20 pay outcomes, the proposed minor amendments to our Remuneration Policy, and the proposed approach to implementing the Remuneration Policy in FY21 are in the best interests of our shareholders, align with our strategy and appropriately reflect the wider business and economic environment.

We therefore hope that you will support the revised Remuneration Policy, and also the Annual Report on Remuneration, which will be proposed at the AGM in October 2020. On behalf of the Board, I would like to thank you for your continued support of our remuneration framework.

Richard Akers
Chair of the Remuneration Committee

1 September 2020

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 Remuneration Committee robustly applies the aims above.

In developing its Remuneration Policy, the Remuneration Committee has regard to:

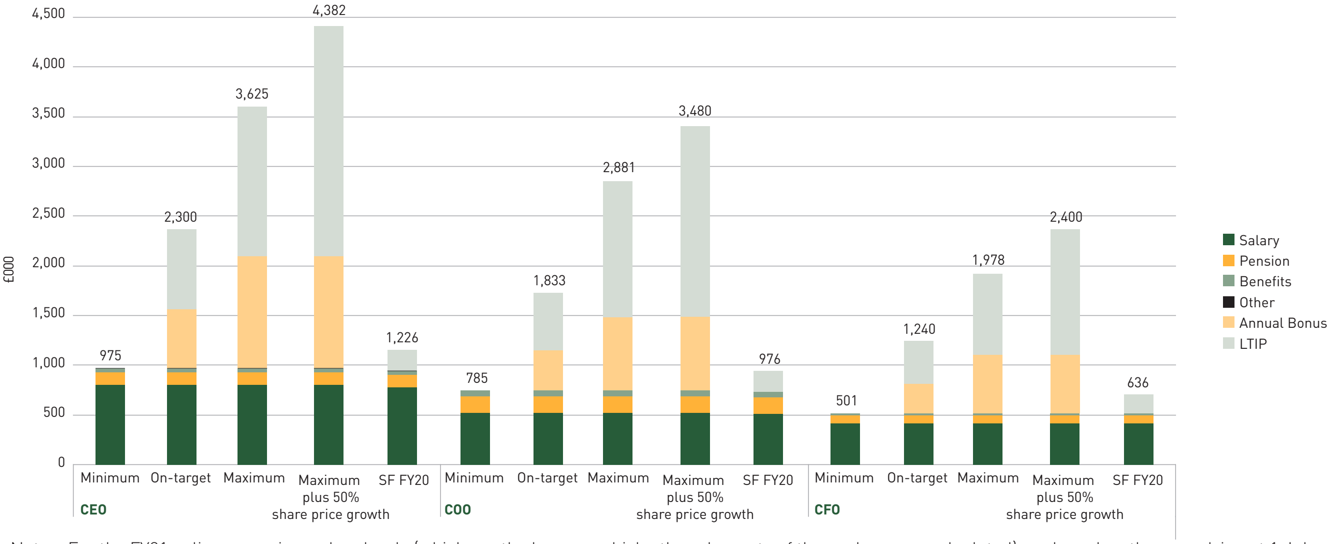
- the Group's business strategy, ensuring that targets support the achievement of business strategy and key KPIs;
- the performance, roles and responsibilities of each Executive Director or member of Senior Management;
- arrangements that apply across the wider workforce, including average base salary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

↑ Barratt London homes at the Ridgeway Views, Mill Hill, London

Remuneration report CONTINUED
Overview for FY20

The summary below outlines the remuneration outcomes for Executive Directors for the year under review, together with the minimum, on-target and maximum (with and without share price growth) opportunities, targets set for variable remuneration and our performance against them. Full details can be found in the Annual Report on Remuneration on pages 137 to 151. Details of Executive Directors' shareholding requirements and whether they have been met are given in Table 19 on page 147.

Executive Director remuneration policy scenarios for FY21 and FY20 single figure outcomes



Notes: For the FY21 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 2020. The value of taxable benefits is the cost of providing those benefits in the year ended 30 June 2020. 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) and 50% vesting of the LTPP awards (with grant levels of 200% of salary). Maximum pay includes fixed pay and assumes 100% vesting of both the annual bonus and the LTPP awards. Maximum pay plus 50% share price growth is the same as maximum pay in respect of fixed pay, but assumes a 50% increase in the share price over the performance period for the LTPP. All amounts have been rounded to the nearest £1,000. The following items are included in the single figure FY20, but excluded from the scenario chart for simplicity: i. Executive Directors' participation in HMRC tax advantaged all-employee share plans; and ii. the dividend equivalents permitted on vesting LTPP awards.

FY20 performance pay outcomes

Annual bonus outturn

As announced in July 2020, the Remuneration Committee approved management's recommendation that no bonuses would be paid to Executive Directors or the wider workforce for FY20. Further details of the performance targets are disclosed on page 144 in the Annual Report on Remuneration.

LTPP vesting outturn

Further details are set out on page 145 of the Annual Report on Remuneration.

	Shares awarded	Percentage of award vesting (%) for each performance condition: EPS	ROCE	TSR	Total	Shares vesting	Estimated Value (£000)
David Thomas	226,307	0	0	19.35	19.35	43,790	219
Steven Boyes	179,103	0	0	19.35	19.35	34,656	173
Jessica White	126,222	0	0	19.35	19.35	24,423	122

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 MMC	**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 ✓Capital Employed ✓Trading outlets	✓PBT ✓Capital Employed ✓Quality and service ✓Margin improvement	✓PBT ✓Quality and service
LTPP	✓TSR	✓ROCE	✓ROCE ✓EPS	✓EPS

Remuneration report CONTINUED

Directors' Remuneration Policy

The Company's current Directors' Remuneration Policy (the 'Policy'), was approved by shareholders at the 2017 AGM. A new Remuneration Policy is therefore due to be presented for approval by shareholders at the 2020 AGM (the 'Remuneration Policy'). Due to the current uncertainties as a consequence of COVID-19 and in line with the IA's guidance, the Remuneration Committee has made the decision to only make minor changes to the Policy to bring it in line with best practice regarding Executive Directors' pension contributions, post cessation holding requirements and Remuneration Committee discretion and flexibility. Consultation with shareholders has taken place and the revised Remuneration Policy will be proposed to shareholders at the AGM in October 2020. If approved by shareholders, it will take effect from the date of the 2020 AGM and remain in force for at least three years unless changes are required.

The full version of the current 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 description of how the Company implemented the Policy in FY20 can be found on pages 142 to 146.

Policy table

The revised Remuneration Policy is set out below. A summary of the main changes is given on page 131 and details of how the Remuneration Policy will be applied for FY21 are set out on pages 139 to 141.

Purpose and link to Company's strategy	How operated in practice	Maximum opportunity	Description of performance metrics
Base salary			
To help promote the long term success of the Company. To reward individuals based on the scope of the role. To attract and retain high calibre Executive Directors to deliver the Group's strategy. 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. The Remuneration Committee considers: • individual responsibilities, skills, experience and performance; • the level of pay increases awarded across the Group (with the exception of promotions); • the size and responsibility of the role; • economic and market conditions; and • the performance of the Group. The Remuneration Committee, when setting salaries, does take into account salary levels for similar positions in the housebuilding sector and within companies of a similar size to the Group. The Remuneration Committee does have the discretion to vary salaries in the event there are changes to any of the above within the 12 month period for which salaries have been fixed. Salaries are paid monthly in arrears.	There is no prescribed maximum annual increase. The Remuneration Committee is guided by the general increase for the broader UK employee population but on occasions may need to recognise changes in the role and/or duties of a Director; movement in comparator salaries; and salary progression for newly appointed Directors. The Remuneration Committee retains the right to approve a higher increase in exceptional cases, such as major changes to the Executive Director's role/duties; new recruits; or internal promotions to the position of Executive Director whose salary was set lower than the market level for such a role and a higher increase is justified as the individual becomes more established in the role. In these circumstances a full explanation of the increases awarded will be provided in the Annual Report on Remuneration.	N/A
Benefits (taxable)			
To help promote the long term success of the Company. To attract and retain high-calibre Executive Directors. To remain competitive in the marketplace.	Benefits normally include: • company car; • private medical insurance; • some telephone costs; and • contributions towards obtaining independent financial advice. Other benefits offered to the wider workforce will also be offered to Executive Directors on the same basis. The Remuneration Committee does have the discretion to offer other benefits it deems appropriate to secure the appointment of a new Executive Director or retain an Executive Director (including relocation benefits) and to ensure that the benefits package for existing Executive Directors remains competitive in the UK market.	There is no formal maximum. Benefits are provided based on market rates.	N/A

Governance

Remuneration report CONTINUED
Directors' Remuneration Policy

Purpose and link to Company's strategy	How operated in practice	Maximum opportunity	Description of performance metrics
Pension			
To help promote the long term success of the Company. To attract and retain high-calibre Executive Directors. To remain competitive in the marketplace.	In accordance with legislation, Executive Directors are enrolled into a workplace pension. If Executive Directors choose to opt out of the workplace pension they can elect to either: • participate in the Company's money purchase pension plan; or • receive a salary supplement. Executive Directors are also eligible to an insured lump sum of up to five times pensionable salary on death in service. The Remuneration Committee retains the discretion to honour the pension contribution for those individuals who are internally promoted to Executive Director. Steven Boyes remains a member of the defined benefit section of the Group's pension scheme, which closed to new entrants in 2001 and future accrual of defined benefits for current members ceased to be offered on 30 June 2009.	**Existing Directors:** Defined contribution scheme or salary supplement not exceeding: • 25% of base salary to 31 December 2022; and • the Company's contribution rate available to the majority of the wider workforce, currently 10% of base salary, from 1 January 2023. Defined benefit scheme: 1/60 accrual rate and a retirement age of 65. **New Directors:** Defined contribution scheme or salary supplement not exceeding the Company's contribution rate available to the majority of the wider workforce, currently 10% of base salary.	N/A
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. Variable remuneration allows the Group to manage its cost base by giving it the flexibility to react to changes in the market and any unforeseen events.	The Remuneration Committee has an absolute discretion whether or not to award a bonus and as to the level of bonus to be awarded up to the prescribed maximum. The Remuneration Committee annually sets financial and non-financial performance targets by taking account of the Company's goals and budget for the relevant financial year. Group and individual performance against these targets is measured at the end of the financial year and the level of bonus payable is calculated at that point. This also takes into account the underlying financial and operational performance of the business relative to the sector (as noted in the column to the right). 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 deferred into shares under the DBP. Malus and clawback can be applied in certain circumstances to both the cash and deferred element of the bonus. For full details see page 132. The Remuneration Committee retains the discretion to decide whether or not to pay an annual bonus to an Executive Director who has handed in their notice and to determine, in respect of any employee who is a 'good leaver', whether any annual bonus earned in excess of 100% of base salary should be paid in cash and not deferred into shares. Where the Remuneration Committee believes that performance does not warrant the level of bonus determined, it may use its discretion to reduce the award (possibly to nil) as it deems appropriate. No Executive Director has any contractual right to receive a bonus. Annual bonus is not pensionable.	The potential annual maximum bonus is 150% of base salary. The level of bonus payable at threshold is set annually but will not exceed 20% of potential maximum bonus (30% of salary). 50% of the potential maximum bonus (75% of salary) is payable for achievement of on-target performance.	The performance targets set are stretching whilst having regard to the nature and risk profile of the Company, its strategy and the interests of its shareholders. When setting bonus targets, the Remuneration 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. The focus of the performance targets is to deliver profit growth and to ensure we have an adequate land bank acquired within the constraints of our Balance Sheet commitments. Performance measures include: • financial items (e.g. profit before tax, margin growth, net debt/land creditors; or land commitment), with a weighting greater than or equal to 50%; and • non-financial items (e.g. quality and service, health and safety and personal objectives). The Remuneration Committee has the discretion to: • choose appropriate measures for each award; • vary the elements of each of these items, including targets, and the weightings of each component on an annual basis; and • ensure that they remain aligned to the strategy of the business and to market conditions.

Purpose and link to Company's strategy	How operated in practice	Maximum opportunity	Description of performance metrics
DBP			
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 normally subject to a continued employment condition. The aim is to encourage long term focus and to further align interests with those of shareholders and discourage excessive risk taking.	Deferred shares are normally granted in the form of a conditional award (but may also be granted as nil cost options or restricted share awards in accordance with the rules of the DBP). Deferred shares will normally accrue dividend equivalents during the three year deferral period. Dividend equivalents may be paid in cash or shares on the vesting of the award. Malus and clawback can be applied in certain circumstances to both the cash and deferred element of the bonus. For full details see page 132.	Any bonus paid in excess of 100% of base salary is deferred into shares and held in the DBP, unless the Remuneration Committee determines otherwise in the case of a 'good leaver'. The Remuneration Committee retains the discretion to adjust the proportion of bonus deferred in exceptional circumstances.	No performance conditions apply to the vesting of awards other than a continued employment condition.
LTPP			
To motivate and reward Executive Directors and Senior Management for the delivery of the long term performance of the Group. To facilitate share ownership by Executive Directors to align their interests with those of our shareholders.	LTPP awards: • are normally granted annually in the form of conditional awards or nil-cost options at no cost to the Executive Director; • are at the discretion of the Remuneration Committee, taking into account individual performance and the overall performance of the Group; • are subject to the achievement of stretching performance conditions measured over three financial years with a subsequent two-year post vesting holding period. Awards may therefore only be realised on conclusion of the five-year combined period; • can be satisfied by either newly issued shares or shares purchased in the market. Newly issued shares are subject to the dilution limits set out in the scheme rules and in accordance with guidelines from the IA; and • may, at the discretion of the Remuneration Committee, accrue dividend equivalents which may be paid in cash or shares on vesting of the award (or following completion of the holding period for awards made as nil cost options). Any accrued dividend equivalent will be prorated, depending on the level of award vesting. Malus and clawback can be applied in certain circumstances to the LTPP award. For full details see page 132.	In accordance with the rules of the LTPP, the Remuneration Committee has the discretion to grant an award up to 200% of base salary to each of the Executive Directors in respect of any financial year of the Company.	Any LTPP awards are subject to performance conditions, which are stretching and aligned with the Group's strategy and the interests of shareholders. Financial performance conditions will have a weighting of at least 50%. The performance conditions are set on the basis that they are: • realistic and attainable; • for the long term benefit of the Group; and • do not encourage inappropriate business risks. The Remuneration Committee has the discretion to determine the weighting of each performance condition on the grant of an LTPP award. No more than 25% of an award will vest at threshold performance (0% will vest below the threshold level) increasing pro-rata to 100% vesting for maximum performance. Overall, the Remuneration 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 Remuneration Committee is not of this view, then it is empowered to reduce the level of vesting (potentially to nil).
Sharesave			
To promote long term share ownership amongst all employees of the Group in a tax-efficient way. To link employee benefits to the performance of the Group. To aid retention of employees.	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. Employees can elect to save between a minimum of £5 and the maximum monthly savings limit as approved by the Remuneration Committee and the Board within the limits prescribed by legislation and HMRC, for a period of three or five years. At the end of the savings period the employee has six months in which to exercise their option.	Save up to the maximum monthly amount as specified by legislation or HMRC and as approved by the Remuneration Committee and the Board. The Remuneration Committee reserves the right to amend contribution levels to reflect changes made by HMRC or the Government from time to time.	Continued employment for the duration of the scheme and 'good' and 'bad' leaver provisions in line with the rules of the Sharesave.

Remuneration report CONTINUED
Directors' Remuneration Policy

Purpose and link to Company's strategy	How operated in practice	Maximum opportunity	Description of performance metrics
Shareholding requirements			
To further align the interests of Executive Directors to those of shareholders.	Executive Directors are required to build and retain a shareholding equivalent to 200% of base salary in the Company's shares within five years of the shareholding requirement coming into force or the Executive Director being appointed to the Board, whichever is the later. The share price used for the purposes of determining the value of the shares is that prevailing on 30 June of the given year. Executive Directors are also subject to a post cessation shareholding requirement of 200% of their salary or their actual shareholding if lower (based on their salary and the share price at the date of leaving), for a period of two years after they leave employment. The Remuneration Committee reserves the right to amend the percentage holding required by the Chief Executive and the other Executive Directors depending on market conditions and best practice guidance. Details of the Executive Directors' shareholdings can be found in Table 19 on page 147.	N/A	N/A
Non-Executive Directors' fees (including the Chair)			
To attract and retain high quality and experienced Non-Executive Directors (including the Chair).	The remuneration of the Non-Executive Directors is set by the Board on the recommendation of a committee comprising the Chair and the Executive Directors. The Board sets the remuneration of the Chair. The Chair 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. The Chair's and Non-Executive Directors' fees are paid in cash, monthly in arrears. Neither the Chair nor the Non-Executive Directors participate in any performance-related schemes (e.g. annual bonus or incentive schemes) nor do they receive any pension or private medical insurance or taxable benefits other than the potential to receive gifts at the end of a long-standing term of appointment. Expenses incurred by the Chair 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. 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. Additional fees may be paid where, in exceptional circumstances, the normal time commitment is significantly exceeded.	Non-Executive Director fees must remain within the aggregate limit approved by shareholders from time to time. The current aggregate limit is £800,000.	N/A

Changes to Remuneration Policy

The Remuneration Committee is only proposing minor changes to the Remuneration Policy, with all other aspects remaining unchanged. The minor amendments are to reflect best practice and governance requirements only. The table below summarises these changes.

Area of policy	Changes to 2020 /21 Remuneration Policy from the previous year
Executive Directors' pension contributions	With effect from 1 January 2023, the pension contribution rate for incumbent Executive Directors will be reduced to the rate available to the wider workforce, currently 10% of salary.
Post cessation holding requirements	Introduction of requirement for Executive Directors to hold shares equivalent in value to 200% of their salary or their actual shareholding if lower (based on their salary and the share price at the date of leaving), for a period of two years after they leave employment, with a transitional arrangement for incumbents.
Remuneration Committee discretion and flexibility	Amendments to discretion provisions to align to best practice. These changes include: • increased overall discretion to adjust outcomes where the formulaic outcome is not aligned with the underlying financial and/or non-financial performance of the Group, or where environmental incidents, health and safety incidents or other wider economic or market circumstances warrant an adjustment; • discretion to adjust outcomes to avoid windfall gains due to a materially fallen share price at grant; • amendments to flexibility under recruitment/termination policy; • discretion to adjust bonus deferral in exceptional circumstances; and • discretion to provide relocation benefits included.

Performance conditions and target setting

The Remuneration Committee reviews annually the performance measures and targets taking into consideration a number of factors including the performance of the Group throughout the previous financial year, internal and external forecasts and consensus figures for the performance period and the Group's strategy.

The annual bonus scheme is measured against key financial and non-financial metrics. PBT and Capital Employed are fundamental key performance indicators for the Group. Non-financial measures such as customer care, and land and sites are aligned to our strategy, and allow individuals to focus on the key factors that will help drive short and long term success of the business.

The LTPP is assessed against measures that focus on delivering attractive cash returns to our shareholders and encouraging efficiency throughout the business.

Value delivered to shareholders is recognised through relative TSR, which is measured against both the 50+/50- group and a housebuilder index. This ensures that strong returns are delivered against an appropriate size group of companies and an index of our peers. Absolute EPS and underlying ROCE ensure that we are efficiently and effectively managing the business, whilst aligning the Executive Directors with the objectives of shareholders.

Targets are set within the context of both internal and external forecasts and are designed to be appropriate within the context of the Group's strategic objectives and historic and expected performance levels. The performance targets are designed to be sufficiently stretching in order to ensure that maximum payout is only achieved for delivering exceptional performance.

Guidelines on responsible investment disclosure

In line with the IA's Guidelines on Responsible Investment Disclosure, the Remuneration 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 Remuneration Committee considers that no element of the remuneration package will encourage inappropriate risk taking within the Company.

Remuneration Committee discretion

The areas of the Remuneration Policy over which the Remuneration Committee has discretion are included in the policy table set out on pages 127 to 130. 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 127 to 130);
- determining the application of dividend equivalents, whether they should 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 or such other factors as it considers appropriate;
- 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, including the timing of any vesting.

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, divestment or wider market or economic circumstances that the Remuneration Committee deem relevant), then the Remuneration Committee will have the ability to adjust appropriately the measures and/or targets, and/or to

Remuneration report CONTINUED
Directors' Remuneration Policy

alter the weighting of the measures. The Remuneration Committee also has the discretion to increase or decrease any annual bonus or LTPP awards (potentially reducing them to nil) in the event that the formulaic outcome is not aligned with the underlying financial and/or non-financial performance of the Group, or where environmental incidents, health and safety incidents or other wider economic or market circumstances warrant an adjustment to the final outcome in order to determine a reasonable and appropriate result. The Remuneration Committee also retains discretion to adjust LTPP vesting outcomes to avoid windfall gains in the event the share price has fallen materially before a given award is made. Any exercise of discretion will be fully explained in the corresponding year's Remuneration report.

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.

In the case of malus, the Remuneration Committee may, at any time prior to the payment of any bonus or any deferred or LTPP shares becoming vested shares, decide to reduce the amount of bonus to be paid and/or reduce the number of deferred or LTPP shares (including to nil) on such basis as it considers to be fair, reasonable and proportionate where, in the opinion of the Remuneration Committee, there are exceptional circumstances (as defined below).

In the case of clawback, the Remuneration Committee may decide at any time within two years of the date on which the bonus is paid or the deferred or LTPP shares become vested shares (or such longer period as may be applicable pursuant to the rules of the relevant plan) that the individual to whom the payment was made and/or deferred and/or LTPP shares were granted shall be subject to clawback if in relation to the bonus paid and/or the deferred or LTPP shares granted, in the opinion of the Remuneration Committee there are exceptional circumstances (as defined below).

Exceptional circumstances include (without limitation):

a. a material misstatement in the published results of the Company or Group or any member of the Group in relation to any period of time up to and including the financial year in which the bonus is paid and/or the deferred or LTPP shares vest;
b. an error in assessing any applicable performance target or the amount of bonus to be paid and/or the number of deferred or LTPP shares subject to an Award;
c. the assessment of any applicable performance target and/or the amount of bonus to be paid and/or the number of deferred or LTPP shares subject to an Award being based on inaccurate or misleading information;
d. serious misconduct on the part of an individual(s);
e. where, as a result of an appropriate review of accountability, the Remuneration Committee determines that an individual(s) have caused wholly or in part a material loss for the Group as a result of:
   – reckless, negligent or wilful actions or omissions; or
   – inappropriate values or behaviour;
f. material breach of health and safety or environmental regulations;
g. material failure of risk management;
h. a member of the Group is censured by a regulatory body or suffers, in the Remuneration Committee's opinion, a significant detrimental impact on its reputation, provided that the Remuneration Committee determines that, following an appropriate review of accountability, an individual(s) were responsible for, or had management oversight over, the actions, omissions or behaviour that gave rise to that censure or detrimental impact; or
i. the Company or entities representing a material proportion of the Group become insolvent or otherwise suffer a corporate failure so that ordinary shares in the Company cease to have material value, provided that the Remuneration Committee determines, following an appropriate review of accountability, that an individual(s) should be held responsible (in whole or in part) for that insolvency or failure.

Where clawback is to be applied, the Remuneration Committee may determine that:

- Any bonus will be retrospectively recalculated and, if bonus monies have been paid, the relevant individual(s) will be required to reimburse the Company for an amount up to the total amount of the original net bonus paid less any bonus that the Remuneration Committee determines would have been paid regardless of the event in question; and
- that the number of deferred or LTPP shares be retrospectively recalculated. If the deferred or LTPP shares have been granted, the number of shares awarded will be reduced accordingly. If the deferred or LTPP shares have vested and shares have been issued to the individual(s), they will be required to repay the value of the relevant number of shares based on the Company's closing share price as at the date the shares were issued.

Recruitment of Executive Directors

The Remuneration Committee will determine the remuneration for any new Executive Directors in accordance with the Remuneration Policy then in force and will take into consideration each of the following elements:

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

Pension – Executive Directors will be auto-enrolled from the date of recruitment unless they opt-out. If an Executive Director chooses to opt–out they may elect to receive a pension supplement in cash. The Remuneration Committee has discretion to determine the level of pension supplement to be awarded to the Executive Director, up to a maximum which is equivalent to the percentage normally offered to the wider workforce. Alternatively, the Executive Director may choose to join the defined contribution money purchase pension plan provided they meet all of the eligibility criteria. The Executive Director also has the option to receive some of their pension entitlement in cash and have the remainder contributed to the defined contribution money purchase pension plan, provided this does not, in aggregate, exceed the agreed percentage.

Annual bonus and LTPP – new Executive Directors may be able to participate in the annual bonus scheme and the LTPP on terms to be considered by the Remuneration Committee on a case by case basis. Any award made to a new Executive Director will usually be on the same terms as set out in the policy table on pages 128 and 129. The level of the award will be no greater than that made to existing Executive Directors (150% of salary for the annual bonus and 200% of salary for the LTPP) and will be pro-rated based on the number of weeks remaining outstanding of the relevant performance period.

Buyout of existing entitlements – the Remuneration Committee may also consider buying out existing entitlements that an individual would forfeit on leaving their current employer, again this would be reviewed on a case by case basis. In determining any potential awards to be granted to a new recruit, the Remuneration Committee will consider the relative levels of certainty and balance of fixed to variable compensation in the forfeited package in totality, including salary, benefits and other components. The Remuneration Committee would however in all cases seek validation of the value of any potential entitlement that is being forfeited and take into account the proportion of any performance period remaining of the award, the type of award (i.e. cash or shares) and the performance achieved (or likely to be achieved). Replacement share awards, if any, will seek to reflect (to the extent possible) the value, degree of conditionality and form of award of the entitlement foregone. In structuring any buyouts, existing arrangements will be used where possible, however, the Company may also make use of the flexibility provided by the UKLA Listing Rules to make awards without prior shareholder approval. Buyouts may therefore fall outside normal policy maximum levels.

Where an individual is recruited internally to the position of Executive Director, the Company will seek to honour any pre-existing contractual commitments, taking into account the remuneration of the existing Executive Directors.

Executive Directors' service contracts

Details of the Executive Directors' service contracts are included in Table 6 below and their emoluments are shown in Table 10 on page 142. 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 Remuneration 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 6 – 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.

Executive Directors' policy on payment on loss of office

There are no specific provisions for compensation on early termination (except for payment in lieu of holidays accrued but untaken) or loss of office due to a change of ownership of the Company. The Remuneration Committee reserves the right to make additional payments where such payments are made in good faith: (a) in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or (b) by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment. The Remuneration Committee may also provide a contribution towards reasonable legal costs and the provision of outplacement services. The Remuneration Committee will apply mitigation against any contractual obligations as it deems fair and reasonable and will seek legal advice on the Company's liability to pay compensation. The Remuneration Committee also seeks to reduce the level of any compensation payable and takes into account, amongst other factors, the individual's and the Group's performance; the Director's obligation to mitigate their own loss; and the Director's length of service when calculating termination payments. The Remuneration Committee reserves the right to phase any such payments if it deems that it is appropriate to do so. Any amount that the Remuneration Committee decides to pay an Executive Director will be based on the main elements of executive remuneration namely, base salary, annual bonus (subject to the Remuneration Committee's discretion), benefits and pension. The Remuneration Committee also takes into account the rules of the annual bonus and LTPP schemes when determining any payments for loss of office as follows:

Annual bonus – in accordance with the provisions contained within the service contracts, Executive Directors are not usually entitled to any bonus payment (other than in circumstances where they are deemed by the Remuneration Committee as a 'good leaver', which includes but is not limited to redundancy, retirement, ill-health, disability, death or any other circumstances which the Remuneration Committee may decide), unless they remain employed and are not under notice as at the payment date. The default position will be that such payment will be pro-rated depending on the proportion of the bonus period worked by the relevant individual. Any bonus payment to the leaving Executive Director will normally be paid entirely in cash. The Remuneration Committee retains

Remuneration report CONTINUED
Directors' Remuneration Policy

the ultimate discretion to make bonus payments and determine the basis on which they are made and their value, taking into account the individual circumstances of the departure, the treatment of other incentive awards and the performance of the individual.

Deferred bonus – if the Executive Director is deemed to be a 'good leaver' (as defined on page 133 above), they will be entitled to retain the shares subject to settling any tax and national insurance liability that may become due on release of the shares and shares will normally be released on the usual vesting date (other than in the case of death when the shares will be released as soon as practicable). In all other cases, the shares will lapse immediately on the date that the Executive Director's employment with the Company ends and there is no entitlement to any compensation for the loss of the shares. Deferred shares can, at the discretion of the Remuneration Committee, be released to the Executive Director on cessation of employment.

LTPP – under the rules of the LTPP, unless the Executive Director is deemed by the Remuneration Committee to be a 'good leaver' (as defined on page 133 above) any LTPP awards held by them will lapse on cessation of their employment. For 'good leavers', the Remuneration Committee would normally prorate the number of awards for time measuring performance over the original performance period and vesting shares at the end of the vesting period. In exceptional circumstances the Remuneration Committee has discretion to test performance at an earlier date and shorten the vesting period. Any exercise of discretion would be explained in full to shareholders in the following year's Remuneration report. Following the vesting of each scheme (absent a life changing event such as retirement and the consent of the Remuneration Committee), the Executive Directors must retain any shares vesting under the LTPP for a period of two years commencing from the end of the relevant performance period.

Change of control – the rules of each share scheme operated by the Company contain provisions relating to a change of control. In the event that a change of control does occur any unvested options or awards will become vested on the date of the relevant event. However, the number of options or awards that vest will be prorated depending on the number of weeks completed within the relevant performance period and the level of performance conditions achieved during that period. The Remuneration Committee has discretion to assess the performance outcome in respect of unvested awards and determine the extent to which unvested awards may vest. Options or awards which have already vested as at the date of the relevant event may still be exercised within the prescribed time scales set out in the rules.

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 127 to 130 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 pension. The cash supplement or employer's contribution rate for existing Executive Directors until 31 December 2022 does not exceed 25% of base salary. With effect from 1 January 2023, the pension contribution for Executive Directors will be at the maximum rate of employer's contribution for the wider workforce, currently 10%. Any new Executive Directors appointed on or after 1 July 2020 will receive a maximum contribution in line with the average pension contribution available to our employees, which is currently 10%;
- Executive Directors are able to participate in the LTPP. A number of select employees at Senior Management level may be invited to participate in the LTPP at the Remuneration 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.

Performance scenario charts

Performance scenario charts setting out policy minimum, on-target, maximum and maximum plus 50% share price growth for FY21, are shown on page 126, along with the single figure outcome for FY20. The figures are split by the different elements of pay.

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.

Chair and Non-Executive Directors' letters of appointment

The Chair 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 Chair 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 Chair and the Nomination Committee and re-election by shareholders. Details of Non-Executive Directors' letters of appointment can be found in Table 7 below.

Table 7 – Non-Executive Directors' letters of appointment as at 30 June 2020

Non-Executive Director	Date elected/re-elected at AGM	Date first appointed to the Board	Date last re-appointed to the Board
John Allan	16 October 2019	1 August 2014	1 August 2020
Richard Akers	16 October 2019	2 April 2012	1 April 2018
Nina Bibby	16 October 2019	3 December 2012	3 December 2018
Jock Lennox	16 October 2019	1 July 2016	1 July 2019
Sharon White	16 October 2019	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.barrattdevelopments.co.uk/investors.

Gifts to Directors on leaving employment

The Remuneration Committee reserves the discretion to approve gifts to long serving Directors who are retiring or who are 'good leavers' e.g. those leaving office for any reason other than dismissal or misconduct. The value of the gift for any one Director shall be limited to a maximum of £5,000 (excluding any tax or VAT liability). Where a tax or VAT liability is incurred on such a gift, the Remuneration Committee has the discretion to approve the payment of such liability on behalf of the Director in addition to the maximum limit.

Legacy arrangements

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

Process for determining the Remuneration Policy

The process used to formulate the remuneration policy was as follows:

Stage 1

Remuneration consultant benchmarks best practice to help the Remuneration Committee determine areas of focus.

Stage 2

Remuneration consultant and management provide detailed insight into the areas of focus to determine how the policy might be amended.

Stage 3

Remuneration Committee discusses and approves proposed policy, taking into account remuneration of the wider workforce.

Stage 4

Consultation with shareholders and main investor representative bodies to obtain their views.

Stage 5

Feedback from the consultation is considered by the Remuneration Committee.

Stage 6

Final proposals are disclosed in the Annual Report and Accounts and presented to shareholders for approval at the AGM.

Remuneration report CONTINUED
Directors' Remuneration Policy

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 Remuneration Committee takes into consideration the pay and employment conditions of all employees across the Group. During the year, the Workforce Forum discussed remuneration strategy, including executive reward strategy, and provided feedback to management. The Company also operates a Sharesave scheme and in the last two financial years has made conditional awards of shares to all employees. This enables all employees to become shareholders in the Company, and to 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, the Workforce Forum, a dedicated Workforce Forum email address and an email address for employees to contact the designated Non-Executive Director for workforce engagement. Further details are given in the Stakeholder engagement section of the Strategic Report on page 42.

Statement of consideration of shareholder views

Each year we normally update our major shareholders on the Remuneration Committee's application of the Remuneration 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 Remuneration 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 Remuneration Policy. In addition, the Remuneration Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be proposed to the Remuneration Policy. In August 2020, we consulted with our major shareholders and the main institutional voting agencies over the proposed minor change to the policy, and no areas of concern were raised. Details of the votes cast for and against the resolution to approve last year's Remuneration report can be found on page 151.

How the Committee has addressed the requirements of the Code in determining Directors' Remuneration Policy and practices

Code requirement	How requirement was addressed in determining Remuneration Policy and practices
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	Variable remuneration for any year is set out clearly in the prior year's Annual Report, together with performance targets (unless they are deemed to be commercially sensitive). Outcomes are aligned with strategic objectives through the use of appropriate performance targets, which align them with shareholder interests and the Group's strategy and provides for the long term success of the Company, which is in the interest of the workforce and other stakeholders.
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The Company operates a UK market standard approach to remuneration which is familiar to stakeholders. Performance targets are readily understandable and published as part of the year end results.
Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The Remuneration Committee has discretion to ensure that variable pay outcomes are in line with Company and individual performance. Share awards are subject to post vesting holding periods, and malus and clawback are applicable to both LTPP and the annual bonus (including deferred shares) for up to two years after payment or vesting in cases where the outcome is subsequently deemed inappropriate.
Predictability – the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.	Minimum, on-target and maximum outcomes for Directors are shown annually in this report (see page 126). Limits and discretions for each type of reward are explained in the policy table on pages 127 to 130.
Proportionality – the link between individual awards, the delivery of strategy and the long term performance of the company should be clear. Outcomes should not reward poor performance.	The Company's incentive plans reward the successful implementation of strategy through the alignment of performance targets with strategic KPIs. The performance underpin which applies to both the annual bonus and LTPP outcomes ensures that poor performance is not rewarded. The Remuneration Committee also has discretion to override formulaic outcomes.
Alignment with culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy.	Our remuneration strategy ensures that performance targets do not encourage inappropriate behaviours. The targets that are selected help align the interests of the workforce with those of the Company's purpose and strategy as illustrated on page 126.

Remuneration report CONTINUED
Annual Report on Remuneration

In this section, we provide an overview of the Remuneration Committee and its advisers, as well as how the Remuneration Policy will be applied in FY21 and how it has been implemented throughout FY20, together with the resulting payments to Directors. The Annual Report on Remuneration will be subject to an advisory vote at the 2020 AGM.

Membership and attendance at Remuneration Committee meetings

Membership of the Remuneration Committee and attendance at each of its scheduled meetings during the year is set out on page 123. The Company Secretary acts as Secretary to the Remuneration Committee. To prevent conflicts of interest, the Executive Directors are not members of the Remuneration Committee and no-one is present at the Committee's meetings when their own remuneration is being considered.

Advisers to the Remuneration Committee

In carrying out its principal responsibilities, the Remuneration 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 Remuneration Committee assesses annually 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. 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 individual Directors or the Company.

During the year, the Remuneration Committee has taken advice from PwC on its Remuneration Policy and practice, implementation of its decisions and remuneration benchmarking. The Chair of the Remuneration 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 Remuneration Committee during the year under review were £149,550.

The Remuneration Committee also receives input into its decision making from the Chief Executive (David Thomas), the Company Secretary (Tina Bains) and the Group HR Director (Rob Tansey), none of whom were present at any time when their own remuneration was being considered.

Remuneration report CONTINUED
Annual Report on Remuneration

Main activities undertaken during the financial year

The Remuneration 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 Remuneration 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.barrattdevelopments.co.uk/investors/corporate-governance.

Priorities	Work carried out and outcomes
Executive Directors' and Senior Management remuneration, in the context of overall workforce remuneration	**Remuneration Policy** Reviewed the Directors' Remuneration Policy and agreed to propose changes only to bring the current policy into line with current market practice, with a view to a more fundamental review in FY21. Changes to existing Executive Directors' pension contributions, post cessation shareholdings and Remuneration Committee discretion approved. **Salary/fees** Considered and agreed that there would be no salary or fee increase for FY21 Executive Directors, Senior Management and Non-Executive Directors respectively. Approved the payment of normal salaries for all of the workforce, including those on furlough, during the COVID-19 lockdown period. **Pensions** Undertook commercial discussions around potential pension contributions for incumbent Executive Directors going forward. See page 124. **Variable pay** Reviewed annual performance of the Executive Directors for FY20 in terms of variable pay. **Annual bonus** Considered annual bonus for FY20. Due to the impact of COVID-19 on the performance of the Company the Remuneration Committee agreed with the recommendation of the Executive Directors, that there would be no payments made under the FY20 annual bonus scheme. Agreed the structure and performance conditions for FY21 annual bonus scheme. See page 140. **Long term incentives** Reviewed and approved the partial vesting of the 2017/18 LTPP. See page 145. Considered and finalised the structure, performance conditions, participants and level of awards for FY21. Agreed to defer the setting of targets for six months from the date of grant in line with IA guidance in the hope that there will be more clarity around the full impact of COVID-19 on the business. See page 141. **CJRS** Supported management's proposal to utilise the CJRS to preserve jobs and the subsequent decision to return the funds given the Group's continued financial resilience during and post the lockdown period.
Remuneration Committee effectiveness	**FY19 review** Reviewed and made progress against all matters arising from the FY19 annual evaluation. See page 106. **FY20 review** Participated in the evaluation of its performance and discussed and agreed an action plan to address issues identified. See page 108. Assessed the effectiveness of the Committee's remuneration consultants during FY20. See page 137.

Priorities	Work carried out and outcomes
Governance	**Remuneration report** Considered and approved remuneration disclosure requirements for the Remuneration report. **Annual agenda and terms of reference** Reviewed and approved its annual agenda and terms of reference. **Remuneration Committee discretion** Reviewed and agreed its approach to the use of discretion, where this should be applied and how our disclosures could be enhanced through revisions to the Remuneration Policy. **Shareholder engagement** Consulted with shareholders on the changes to and implementation of the Remuneration Policy, indicative outcomes for FY20, and the remuneration proposals for FY21 and used the feedback received to finalise the Remuneration Policy.

Statement of implementation of the Remuneration Policy for FY21

Executive Directors' remuneration for FY21 will be based on the Remuneration Policy to be proposed at the October 2020 AGM, subject to approval by shareholders. The Remuneration Policy is set out on pages 127 to 136.

Base salary

The Remuneration Committee reviewed the salaries of the Executive Directors in June 2020 and it was agreed that neither the Executive Directors, nor the workforce as a whole, would receive an increase in base salary for FY21. This decision took into account the ongoing impact of COVID-19; the consequent deterioration of trading conditions due to the temporary closure of all our construction sites, sales centres and offices; the continued economic uncertainty; and the cancellation of the interim, full and special dividends for FY20. The salaries for the Executive Directors with effect from 1 July 2021 will therefore remain unchanged:

Table 8 – Executive Directors' salaries:

Executive Director	**Salary with effect from 1 July 2020 £000**	Salary with effect from 1 July 2019[1] £000
David Thomas	**757**	757
Steven Boyes	**599**	599
Jessica White	**422**	422

1. The Executive Directors voluntarily agreed to a reduction in their salaries of 20% during the period for which our construction sites were closed due to COVID-19. The amounts they received were therefore lower during FY20 than stated in the above table. Actual amounts received for the year to 30 June 2020 are given in the single figure of remuneration table on page 142.

The salaries for each of the Executive Directors take into account the performance of the Company and remain within the range for similar sized companies and the housebuilding sector.

Remuneration report CONTINUED
Annual Report on Remuneration

Pension

In FY17 the Remuneration Committee agreed that any new Executive Director would be given a pension equivalent to that of Managing Directors, currently 15% of salary. Accordingly, during FY21, Jessica White (who was appointed to the Board in 2018) will continue to receive a cash supplement of 15% of salary. David Thomas and Steven Boyes (both appointed prior to 2017) will both continue to receive a cash supplement of 25% of salary.

During FY19, the Remuneration Committee agreed that any new Executive Director (or other employee) joining the Group on or after 1 July 2020 will receive a pension contribution (or cash supplement) equivalent to that of the wider workforce, currently 10% of base salary.

In line with the IA's guidance, with effect from 1 January 2023 incumbent Executive Directors' pension contributions (or cash supplement) will be reduced to a level equivalent to the workforce, currently 10% of base salary.

Annual bonus

Executive Directors and Senior Management will participate in the Group's annual bonus scheme in accordance with the Policy. In view of the economic challenges and disruption to our business resulting from COVID-19, we have undertaken a comprehensive review of the measures and their weightings for the FY21 bonus. We are making the following changes to the scheme, which will ensure Executive Directors are incentivised in line with our core business priorities for the year, and in particular our focus on balance sheet strength and workforce safeguarding:

Profit before tax – reduced weighting from 82.5% of salary to 63.75% to support the increase in the weighting of the capital employed element.

Capital employed – increased weighting from 15% of salary to 30% of salary to ensure that improving the efficiency of capital employed is prioritised as a result of the significant impact of COVID-19 reducing home completion volumes.

SHE – has been introduced as a separate element for the first half of the year to focus the business on compliance with the new social distancing practices and protocols implemented to safeguard the workforce against COVID-19 as well as the normal SHE scoring mechanism. SHE will, for the full year, continue to be a penalty/gateway for the customer care element.

Land and sites – this is a new measure which will be focused on normalising the length of land bank and the creation of new sites from existing land, land contracts in progress and any new land approvals.

The Remuneration Committee is of the view that the individual annual bonus performance targets are commercially sensitive in terms of the Group strategy and therefore targets are not disclosed until the relevant performance year is completed.

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 FY21 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.	63.75
Capital employed	Financial	Ensures efficient use of available capital.	30.0
Safety, Health and Environment (SHE) (measured in first half of FY21)	Non-financial	Ensures a focus on the health and safety of our employees, customers, suppliers and sub-contractors particularly during the period that COVID-19 continues.	11.25
Customer care (with health and safety underpin)	Non-financial	Ensures a focus on quality and service to our customers without compromising the health and safety of our employees, customers, suppliers and sub-contractors.	22.5
Land and sites	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.	22.5
Total bonus achievable as a % of salary			150.0[1]

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 Remuneration Committee will continue to have an overriding discretion in respect of any bonus payment in accordance with its Remuneration Policy. In addition, any bonus awarded for FY21 will be subject to the malus and clawback provisions set out on page 132.

LTPP

The Remuneration Committee has agreed to grant an LTPP award to Executive Directors in FY21 (2020/21 LTPP) of 200% of base salary, in line with the Remuneration Policy. The Remuneration Committee is cognisant that such an award should be subject to performance targets which are stretching and challenging whilst aligned with the short and long term performance of the Group and its strategy as well as the interests of shareholders. The Remuneration Committee has again agreed that three independent performance conditions: TSR, EPS and Underlying ROCE, will apply to the 2020/21 LTPP. The 2020/21 LTPP will be granted as normal in October 2020; however, given the current uncertainties caused by COVID-19, the EPS and Underlying ROCE targets for this award will be determined as soon as practicable following the grant and no later than six months from the grant date. This approach is in line with the guidance issued by the IA. The targets, once set, will be published on our website and in the FY21 Remuneration Report.

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 2023	To ensure efficient and effective management of our business and align interests with those of shareholders.	20%	To be set in March 2021	To be set in March 2021	To be set in March 2021
Underlying ROCE for the financial year ending 30 June 2023	To ensure efficient and effective management of our business and align interests with those of shareholders.	40%	To be set in March 2021	To be set in March 2021	To be set in March 2021

1. The housebuilder index will comprise: Bellway, Berkeley Homes, Countryside Properties, Crest Nicholson, Galliford Try, Persimmon, Redrow, Taylor Wimpey and Vistry Group.

Vesting will be on a straight-line basis between threshold and maximum. In addition, all LTPP awards are subject to overriding Remuneration Committee discretion, as set out in the Policy table on page 131.

The 2020/21 LTPP will also be subject to the malus and clawback provisions set out on page 132 and a two-year post vesting holding period.

Non-Executive Directors' fees

It was agreed that there would be no increase in Non-Executive Directors' fees for FY21, in line with the rest of the business. The annual fees payable to the Chair and Non-Executive Directors with effect from 1 July 2020 will therefore remain as follows:

Table 9 – Non-Executive Directors' fees

Role	Fee as at 1 July 2020 £000	Fee as at 1 July 2019[1] £000
Chair	**333**	333
Non-Executive Director base fee	**63**	63
Chair of Audit Committee	**12**	12
Chair of Remuneration Committee	**12**	12
Chair of Safety, Health and Environmental Committee	**6**	6
Senior Independent Director	**8**	8

1. The Non-Executive Directors volunteered a reduction in their fees of 20% during the period in which our construction sites were temporarily closed due to COVID-19. The amounts they received were therefore lower during FY20 than stated in the above table. The actual amounts received for the year to 30 June 2020 are given in the single figure of remuneration table on page 142.

Remuneration report CONTINUED
Annual Report on Remuneration

Directors' remuneration outcomes for the year ended 30 June 2020
Single figure of remuneration
The total remuneration for each of the Directors for the financial year ended 30 June 2020 is as set out in Tables 10 and 11. The salary for all Directors is the amount received in the year, and takes into account a 20% voluntary reduction in base salary in April and May 2020 covering the period our construction sites were temporarily closed as a consequence of COVID-19. Details of the base salaries to which they were entitled in FY20 are set out in Tables 8 and 9 on pages 139 and 141.

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

	Salary £000		**Benefits[1] (taxable) £000**		**Pension benefits £000**		**Total fixed pay £000**		**Annual bonus[3] £000**		**LTPP £000**		**Sharesave scheme £000**		**Total variable pay £000**		**FY20 Total £000**	FY19 Total £000
	2019/20	2018/19	**2019/20**	2018/19	**2019/20[2]**	2018/19	**2019/20**	2018/19	**2019/20**	2018/19	**2019/20[4]**	2018/19[5]	**2019/20[6]**	2018/19[7]	**2019/20**	2018/19		
David Thomas	**741**	739	**29**	25	**189**	185	**959**	949	**–**	1,066	**257**	1,712	**10**	–	**267**	2,778	**1,226**	3,727
Steven Boyes	**586**	585	**36**	41	**150**	146	**772**	772	**–**	872	**204**	1,355	**–**	1	**204**	2,228	**976**	3,000
Jessica White	**413**	412	**16**	16	**63**	62	**492**	490	**–**	615	**144**	105	**–**	–	**144**	720	**636**	1,210
Total	**1,740**	1,736	**81**	82	**402**	393	**2,223**	2,211	**–**	2,553	**605**	3,172	**10**	1	**615**	5,726	**2,838**	7,937

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. David Thomas and Steven Boyes received a pension benefit that was equal to 25% of their base salaries. Jessica White received a pension benefit equal to 15% of her base salary. The Directors' base salaries are set out in Table 8 on page 139 and the pension benefit was not reduced to take into account their temporary 20% voluntary reduction in base salary during April and May 2020.
3. Annual bonus includes amounts deferred for David Thomas, Steven Boyes and Jessica White (see Table 13 on page 144).
4. Performance conditions for the LTPP were tested after 30 June 2020. 19.35% of the award granted to each of the Executive Directors is due to vest in November 2020 (see Tables 14 and 15 on page 145 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 2020 (£5.00 per share). As the value of shares at vesting was lower than that at grant, no portion of the award is attributable to share price growth.
5. In accordance with regulatory requirements, the values in this column have been re-calculated using a share price of £6.31 per share being the market value of the shares on the vesting date, 26 September 2019, as opposed to the market price of £5.89 per share calculated based on an average market value over the three months to 30 June 2019 disclosed in last year's Remuneration report.
6. The Sharesave Scheme granted in April 2014, which matured on 1 July 2019, was subject to no performance measures other than a continued employment condition and completion of a savings contract. The value is calculated using the difference between the exercise price of £3.49 and a share price of £5.77 (the mid-market close price of a share on the date of maturity).
7. 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 the difference between the exercise price of £4.47 and a share price of £5.15 (the mid-market close price of a share on the date of maturity).

↑ David Wilson homes at Winnington Village, Northwich, Cheshire.

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

	Fees £000		Benefits (taxable) £000		2020 total £000	2019 total £000
	2019/20	2018/19	**2019/20**[2]	2018/19[3]		
John Allan	**325**	325	**1**	2	**326**	327
Richard Akers	**87**	88	**–**	–	**87**	88
Nina Bibby	**62**	62	**–**	–	**62**	62
Jock Lennox	**74**	74	**–**	–	**74**	74
Sharon White[1]	**62**	62	**–**	–	**62**	62
Total	**610**	611	**1**	2	**611**	613

1. Between 1 July 2019 and 31 December 2019, Sharon White's fees were paid directly to Ofcom on a monthly basis. From 1 January 2020 until the end of FY20, her fees were paid directly to her.
2. Benefits (taxable) for 2019/20 include expenses incurred in attending the Company's main corporate office and are £1,093 for John Allan and £237 for Richard Akers.
3. Benefits (taxable) for 2018/19 include expenses incurred in attending the Company's main corporate office and were £2,114 for John Allan, £393 for Richard Akers, £17 for Nina Bibby and £179 for Sharon White.

Annual bonus

For the year under review, in order to better align the Executive Directors' remuneration to that of Senior Management and where possible, the wider workforce, the Remuneration Committee had, as disclosed in last year's Remuneration report, agreed to: i) introduce capital employed as a performance measure for the Executive Directors' annual bonus for FY20 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.

As in previous years, Executive Directors had the potential to earn an annual bonus of up to 150% of base salary based on the attainment of Group performance targets 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. As a result of the impact of COVID-19 and the associated ongoing uncertainty, the Committee accepted the recommendation of the Executive Directors to cancel the FY20 annual bonus scheme. The Committee considers the outcome is appropriate and reflects overall performance of the Group over the year.

Performance targets for the FY20 bonus scheme are set out in Table 12 on page 144.

Remuneration report CONTINUED
Annual Report on Remuneration

Table 12 – Annual bonus (Audited)

Bonus measure	Strategic objective	Targets	Potential bonus weighting % of salary
Profit before tax	To support profitability.	Threshold: £890m Target: £910m Maximum: £950m	16.5% 41.25% 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%
Capital Employed	To incentivise improvement of capital management.	Threshold: £1,687m Target: £1,687m Maximum: £1,612m	3% 7.5% 15%
Strategic objective – Group Operating Margin	To deliver an improvement in regional trading margin to support the profitability of our business.	Threshold: 18.3% Target: 18.5% Maximum: 18.7%	3% 7.5% 15%
Strategic objective – trading outlets	To open the optimum number of trading outlets to ensure growth and delivery of our business plan.	Threshold: 103 Target: 106 Maximum: 108	3% 7.5% 15%

1. In the case of a material breach of SHE policy or procedures, the SHE Committee retained the discretion to recommend the withholding of all or part of the bonus depending on the nature of the breach.
2. The quality and service measure is pro-rated based on the number of divisions achieving both targets.

Executive Directors' deferred bonus

No deferred bonus is payable in respect of FY20, as a consequence of the decision not to pay any bonus referred to above. As announced on 28 October 2019, conditional awards of shares were granted to each of the Executive Directors in respect of their deferred bonus for FY19. The number of shares awarded was as follows:

Table 13 – Executive Directors' deferred bonus (Audited)

	FY19 deferred bonus		
	% of salary deferred[1]	Amount deferred £000	Number of shares[2,3]
David Thomas	44.3	327	53,677
Steven Boyes	49.2	287	47,157
Jessica White	49.2	203	33,233

1. The Executive Directors received between 144.3% and 149.2% of base salary for FY19. The bonus earned in excess of 100% of base salary was 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 609.5 pence 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 2019.

Long Term Performance Plans

Vesting of 2017/18 LTPP (included in 2019/20 single figure of remuneration) (Audited)

The 2017/18 LTPP award granted on 24 November 2017 was based on the three year performance period to 30 June 2020. The award 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 resulting vesting levels are as follows:

Table 14 – Vesting of 2017/18 LTPP

Metric	Performance condition	Threshold	Maximum	Actual	Portion of award vesting
EPS	Absolute EPS growth for the financial year ended 30 June 2020.	66p	74p	Basic EPS 39.7p[1]	0%
Underlying ROCE	To increase underlying ROCE.	19%	22%	12.5%	0%
TSR (FTSE)	TSR against the 50 companies above and below the Company in the FTSE index measured over three financial years with a three-month average at the start and end of the performance period. 25% of this element vests for median performance and 100% of this element vests for upper quartile performance or above.	Median ranking of 45.5 (TSR of -12.2%)	Upper quartile ranking of 23.3 (TSR of 25.8%)	Rank of 32.7 (TSR of 6.1%)	13.65%
TSR (Housebuilder)[2]	TSR of at least the Index average of a housebuilder Index measured over three financial years with a three-month average at the start and end of the performance period. 25% of this element vests for Index average of peer group and 100% of this element vests for Index average +8% per annum or above.	Unweighted Index average (TSR of 4.8%)	Unweighted Index average + 8% (TSR of 30.8%)	Above unweighted index average (TSR of 6.1%)	5.70%
Total level of award vesting					**19.35%**

1. The actual EPS of 39.4 pence has been re-based using the corporation tax rate applicable at the date on which the 2017/18 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 2017/18 LTPP targets. The re-based EPS used for the purpose of determining vesting, which is directly comparable to the 2017/18 LTPP targets, was 39.7 pence.
2. The housebuilder Index comprises: Bellway, Berkeley Homes, Vistry Group, Countryside Properties, Crest Nicholson, Galliford Try, Persimmon, Redrow and Taylor Wimpey.

The Remuneration Committee believes that as the 2017/18 LTPP recognises the long term performance of the Company over a three-year period, and given the strong alignment to the shareholder experience through TSR, it is appropriate to allow this award to vest in line with performance outcomes and is justified. No Remuneration Committee discretion was exercised in relation to the LTPP vesting outcome, including in relation to share price depreciation. The 2017/18 LTPP accrued 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 vest. The gross number of shares to be released to each of the Executive Directors and the value of the dividend equivalents are as follows:

Table 15 – 2017/18 LTPP vesting outcomes

Executive Director	Number of shares at grant	Number of shares to lapse	Total number of shares to vest[1]	Estimated value of vested shares[2] (£000)	Value of dividend equivalents earned on vested shares[2] (£000)	Total Estimated value[2] (£000)
David Thomas	226,307	(182,517)	43,790	219	38	257
Steven Boyes	179,103	(144,447)	34,656	173	31	204
Jessica White	126,222	(101,799)	24,423	122	22	144

1. The relevant number of shares will be released to each participant as soon as is practicable following the vesting date. The awards are subject to a two-year post vesting holding period commencing 1 July 2020.
2. The estimated values of the vested shares and the dividend equivalents are based on the average share price during the three months to 30 June 2020 (£5.00 per share).

Remuneration report CONTINUED
Annual Report on Remuneration

LTPP granted during the year (2019/20 LTPP) (Audited)

On 24 October 2019, the following 2019/20 LTPP awards were granted to Executive Directors:

Table 16 – 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 £757,155	636.2	238,024	1,514	25	Three financial years to 30 June 2022
Steven Boyes	Conditional award	200% of salary £599,225	636.2	188,376	1,198	25	
Jessica White	Conditional award	200% of salary £422,300	636.2	132,756	845	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 23 October 2019, being the day before the date of grant.

The 2019/20 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 2019, and against EPS and ROCE for the financial year ending 30 June 2022. On completion of the performance period, assuming that shares vest, they will be subject to a further two-year holding period.

Performance of 2018/19 and 2019/20 LTPP awards

The following tables show the targets set on grant for each of the current LTPP awards together with performance to date.

The potential level of vesting if performance was measured over two years to 30 June 2020:

Table 17 – 2018/19 award performance against targets

Performance target	Below threshold (0 % vesting)	Threshold (25% vesting)	Maximum (100% vesting)	Performance as at 30 June 2020	Level of vesting had the award vested as at 30 June 2020
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	16.1%
EPS	<75 pence	75 pence	84 pence	39.7 pence	0%
Underlying ROCE	<19.0%	19.0%	22.0%	12.5%	0%
Total					**36.1%**

The potential level of vesting if performance was measured over one year to 30 June 2020:

Table 18 – 2019/20 award performance against targets

Performance target	Below threshold (0% vesting)	Threshold (25% vesting)	Maximum (100% vesting)	Performance as at 30 June 2020	Level of vesting had the award vested as at 30 June 2020
TSR FTSE[1]	Below median	Median	Upper quartile	Above median	6.8%
TSR Housebuilder[2]	Below unweighted index average	Unweighted index average	Unweighted index average +8% p.a.	Below unweighted index average	0%
EPS	<76 pence	76 pence	85 pence	39.7 pence	0%
Underlying ROCE	<19.0%	19.0%	22.0%	12.5%	0%
Total					**6.8%**

For both Table 17 and Table 18:

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, Vistry Group, Countryside, Crest Nicholson, Galliford Try, Persimmon, Redrow and Taylor Wimpey.

The 2018/19 and 2019/20 LTPP awards 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 according to the number of shares that vest.

Statement of Directors' shareholding and share interests (Audited)

For the financial year ended 30 June 2020, 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 Remuneration Committee. The Remuneration 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 Remuneration Committee reserves the right to amend the percentage holding required by the Executive Directors depending on market conditions and best practice guidance. At 30 June 2020, both David Thomas and Steven Boyes have met the shareholding requirement. Jessica White has until 21 June 2022 to meet the shareholding requirement.

Taking into consideration recent changes to market practice and investor guidelines, the post cessation shareholding requirement for the Executive Directors is the lower of their shareholding requirement (currently 200% of salary) or their actual shareholding on the date of leaving.

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 19 below.

On 13 July 2020, Sharon White purchased 363 shares. No other notification has been received of any change in the interests shown during the period 30 June 2020 to 31 August 2020 inclusive.

Table 19 – Directors' interests in shares as at 30 June 2020 (Audited)

		Other shares held		Options	Shareholding requirements		
	Beneficially owned	Interests subject to performance conditions (LTPP)	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]	1,000,766	736,757	156,624	6,002	200%	758%	Y
Steven Boyes[3]	457,890	583,081	136,286	5,916	200%	492%	Y
Jessica White	67,825	410,923	66,964	6,465	200%	158%	N[5]
Non-Executive Directors							
John Allan	76,705	The Chair and Non-Executive Directors are not awarded incentive shares and are not subject to a shareholding requirement					
Richard Akers	60,000						
Nina Bibby	8,500						
Jock Lennox	10,000						
Sharon White[6]	-						

1. All of these options were unvested at 30 June 2020. On 1 July 2020, 1,939 of Steven Boyes' Sharesave options matured. The exercise price is £4.64. Steven has not yet exercised his option to purchase these shares.
2. On 22 July 2019, David Thomas exercised his option to purchase 4,297 Sharesave shares, all of which he retained. The exercise price was £3.49 and the share price on the date of exercise was £6.43, giving an aggregate gain of £12,633.
3. Steven Boyes was granted 1,973 Sharesave options during the year. The option price of the award was £4.56, representing a 20% discount on the average share price for the five business days immediately before the invitation to participate in the award (£5.69). The number of shares granted was based on the option price and the total savings amount forecast at the end of the three-year savings period. The face value of the options based on the average share price above was £11,226. There are no performance targets associated with this award. The shares are exercisable between 1 July 2023 and 31 December 2023.
4. The share price used for the purposes of determining the value of the shares is £4.96, being the mid market closing price on 30 June 2020.
5. Jessica White was appointed to the Board on 22 June 2017 and has five years from this date to meet the shareholding requirement.
6. Sharon White purchased 363 shares on 13 July 2020.

All conditional awards and share options are subject to an overriding Remuneration Committee discretion, in that the Remuneration 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 Remuneration Committee is not of this view, it has the authority to reduce the level of vesting, including to nil, as it deems appropriate.

Remuneration report CONTINUED
Annual Report on Remuneration

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 FY20, 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.

The Executive Directors' cash supplement in lieu of pension will reduce to be in line with that of the wider workforce, which is currently at 10% of base salary, with effect from 1 January 2023.

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 2020.

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 2020 was £63,510 per annum. Steven Boyes may take early retirement, 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 actuarial valuation of the Scheme as at 30 November 2019 showed a deficit of £14.0m calculated on the basis of the Scheme's technical provisions. On 16 June 2020, the Trustees of the Scheme purchased a bulk annuity policy. Under the policy, the insurer will pay to the Scheme an amount equal to the benefit payments due to be paid by the Scheme to the members. The Company paid contributions totalling £8.5m for FY20 under the previous contribution plan, of which £1.2m was paid in December 2019 whilst the valuation was being undertaken. Allowing for these contributions and combined with experience after the valuation date, investment experience and the purchase of the bulk annuity policy, the Scheme has a surplus of assets and so no further contributions are required from the Company. The valuation for the Financial Statements was updated as at 30 June 2020 by a qualified independent actuary and a surplus of £3.5m (2019: surplus of £62.6m) is included in the Group Balance Sheet as shown in note 6.2.2 to the Financial Statements on page 216.

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 2020 (30 June 2019: £nil).

Payments for loss of office (Audited)

No payments were made in respect of loss of office during the year ended 30 June 2020 (30 June 2019: £nil).

Chief Executive's relative pay

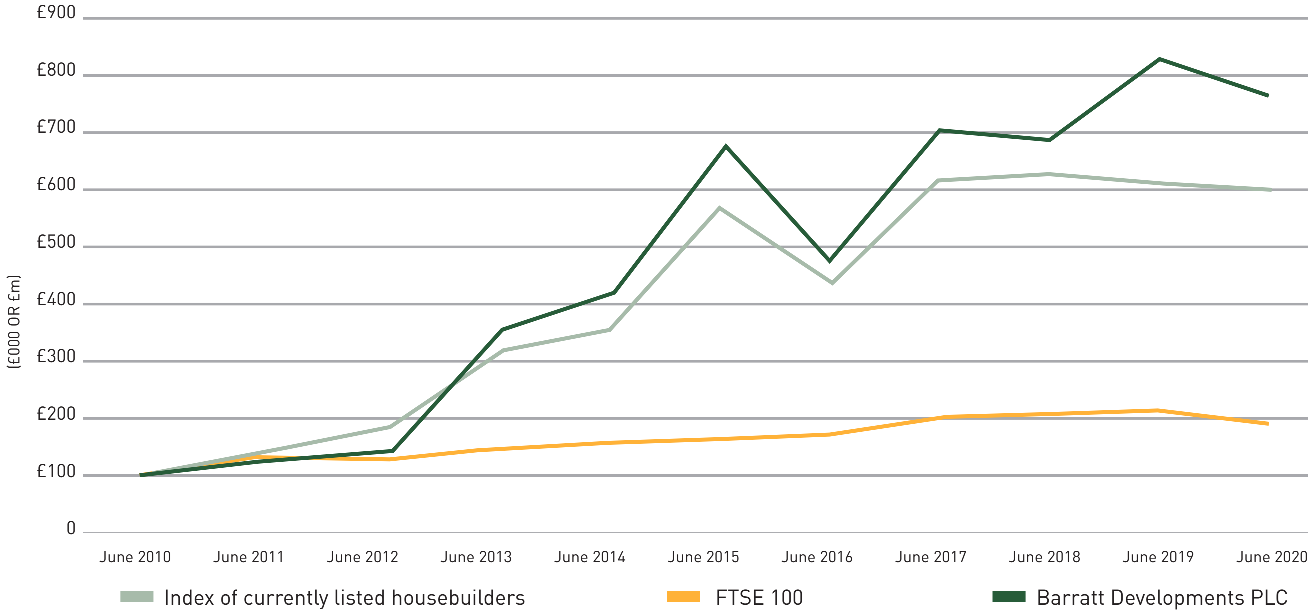
Table 20 sets out: (i) the total pay, calculated in line with the single figure methodology; (ii) the annual bonus payout as a percentage of maximum; and (iii) long term incentive vesting level for the Chief Executive over a ten-year period.

Table 20 – Chief Executive's pay

	Ten years to 30 June 2020									
	Mark Clare					David Thomas				
	2011	2012	2013	2014	2015	2016	2017	2018	2019	**2020**
Chief Executive's total pay (£000)	1,220	2,099	4,310	6,430	7,363	3,155	3,331	2,720	3,727	**1,226**
Bonus outturn (as a percentage of maximum opportunity)	36.6	99.2	100.0	100.0	93.2	97.4	97.5	92.2	96.2	**0**
LTI vesting (as a percentage of maximum award)	0.0	32.8	73.9	95.8	100.0	100.0	100.0	76.4	92.8	**19.4**

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

Governance

Remuneration report CONTINUED
Annual Report on Remuneration

Annual percentage change in remuneration of Directors compared to employees

Table 21 shows the percentage change in salary, taxable benefits and annual bonus set out in the single figure of remuneration tables (Tables 10 and 11 on pages 142 and 143) paid to each Director in respect of the financial years ended 30 June 2019 and 30 June 2020, compared to that of the average pay of all employees of the Group.

Table 21 – Percentage change in remuneration

	FY20		
	Salary/fees % change	**Benefits % change**	**Annual bonus % change**
Executive Directors[1]			
David Thomas	0.3	16.0	-100.0
Steven Boyes	0.2	-12.2	-100.0
Jessica White	0.2	0	-100.0
Non-Executive Directors[1]			
John Allan	0	-50.0	N/A
Richard Akers	-1.1	0	N/A
Nina Bibby	0	0	N/A
Jock Lennox	0	0	N/A
Sharon White	0	0	N/A
Average pay of all employees[2]	0.8	-1.5	-100.0

1. The percentage changes in salary and fees of the Directors differs from the salary increase awarded to them for FY20, as it takes into account a temporary 20% voluntary reduction in base salary in April and May 2020 covering the period our construction sites were temporarily closed as a consequence of COVID-19.

2. Average pay is determined using all employees in the Group, as the parent company employs only a very few senior employees. The figure represents the mean employee pay.

Chief Executive pay ratio

In our 2019 Remuneration Report, we voluntarily disclosed our Chief Executive pay ratios ahead of the reporting requirement formally applying to us this year. The table below compares the 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 22

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
FY20	Option B	40:1	32:1	21:1
FY19	Option B	123:1	88:1	59:1

The remuneration figures for the employee at each quartile were determined with reference to the financial year ending 30 June 2020.

Under Option B of The Companies (Miscellaneous Reporting) Regulations 2018, the latest available gender pay gap data (i.e. from April 2020) was used to identify the best equivalent for three Group UK employees whose hourly rates of pay are at the 25th, 50th and 75th percentiles for the Group. The Committee is comfortable that this approach provides a fair representation of the Chief Executive to employee pay ratios and is appropriate in comparison to alternative methods, balancing the need for statistical accuracy with internal operational resource constraints.

A full-time equivalent total pay and benefits figure for FY20 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 is 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.

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:

Table 23

	25th percentile (P25)	Median (P50)	75th percentile (P75)
Salary	£30,098	£35,112	£52,598
Total pay and benefits	£31,044	£38,674	£59,133

The FY20 pay ratios are significantly lower than last year. This is primarily attributable to a reduction in this year's Chief Executive single figure of remuneration compared to FY19, driven by no bonus being payable to Executive Directors in respect of FY20 as a result of COVID-19, as well as the 2017/18 LTPP vesting at a lower level than the 2016/17 LTPP award. No bonuses were payable to the wider workforce in respect of FY20, with the exception of awards earned and paid prior to the COVID-19 pandemic.

The Committee considers that the median 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. This also means that the ratio is likely to fluctuate depending on the outcomes of incentive plans in each year (as illustrated by the FY20 ratios).

The Committee also recognises that, due to the nature of our business and the ways in which we pay our employees, 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 24 – Relative importance of spend on pay

	FY20 £m	FY19 £m	**% change**
Employee costs (including Executive Directors)[1]	**374.7**	427.1	-12.3
Profit from operations[2]	**493.4**	901.1	-45.2
Total capital return[3]	**0**	469.2	-100.0

1. During the year the Group utilised the CJRS. The Group recognised £26.0m of income under this scheme in the Income Statement in the financial year. Since the year end, this amount has been returned and accordingly this income is not reflected in the FY20 employee costs figure above. Further details are provided in notes 6.1 and 7.3 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. The figure used is from the Consolidated Income Statement on page 166.
3. For FY19, this includes the interim dividend paid in May 2019, and the final and special dividends paid in November 2019. For FY20, no dividends are being paid due to uncertainties arising from the COVID-19 pandemic. There have been no share buybacks during the year ended 30 June 2020.

Non-executive directorships

Details of the Group's policy on non-executive directorships held by Executive Directors is given in the Directors' Remuneration Policy table on page 134. 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 25 – 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 2019 AGM, a resolution was proposed to shareholders to approve the Annual Report on Remuneration (advisory vote) for the year ended 30 June 2019 for which the following votes were received:

Table 26 – Vote on Remuneration report – 2019 AGM

	Number of votes	**% votes cast**
Votes cast in favour	685,316,685	98.39
Votes cast against	11,234,681	1.61
Total votes cast	696,551,366	100.00
Votes withheld	133,008	–

This Remuneration report was approved by the Board on 1 September 2020 and signed on its behalf by:

Richard Akers
Non-Executive Director

1 September 2020

Other statutory disclosures

Directors' Report

For the financial year ended 30 June 2020, the Strategic Report is set out on pages 2 to 79 and the Directors' Report on pages 80 to 155. Together, these constitute the management reports required under Rules 4.1.8R of the FCA's Disclosure Guidance and Transparency Rules.

The table below sets out the location of information required to be disclosed in the Directors' Report (in accordance with Listing Rule 9.8.4R, and otherwise) which can be found in other sections of this Annual Report and Accounts and is incorporated by reference:

	Page numbers
An indication of likely future developments in the business of the Company and its subsidiaries	2 to 29
Details of arrangement under which a Director has waived emoluments from the Company and details of such waiver	123 and 142
Arrangements under which a shareholder has waived or agreed to waive a dividend, and details of the waiver	212
Financial instruments	206 to 211
Post balance sheet events	225
Employment of disabled persons	61
Employee involvement and the Company's approach to investing in and rewarding its workforce	58 to 61
Principal risks	71 to 78
Stakeholder engagement	38 to 49
Greenhouse gas emissions	234 and 235

Results and dividends

The profit from continuing activities for the year ended 30 June 2020 was £402.7m (2019: £739.4m).

The Board has previously announced that given the uncertainties caused by the impact of COVID-19, the interim dividend of 9.8 pence per share, equating to c. £100m, would be cancelled, and that it would not propose an ordinary dividend in respect of FY20 or the intended special dividend of £175m in respect of FY20.

The Board continues to recognise the importance of dividends to all its shareholders. The Board however, also feels that given the unprecedented impact of COVID-19 and the importance of a resilient balance sheet, it will no longer propose the FY21 special dividend of £175m which would have been payable in November 2021. Further information regarding future dividend policy can be found on page 11.

Annual General Meeting

Our 2020 AGM will be held on Wednesday 14 October 2020. We are closely monitoring the ongoing impact of COVID-19 and developments in UK regulation in relation to how AGMs may be held during this period. Further details about the AGM will be provided in the Notice of AGM.

Directors and their interests

Details of the Directors who held office during the financial year ended 30 June 2020 and as at the date of this report can be found on pages 80 to 82.

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 2020, and as at the date of this report are disclosed in the Remuneration report in Table 19 on page 147.

Appointment and removal of Directors

In accordance with the Articles, there shall be no fewer 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 fewer 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 103.

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

The Company's policy is not to make donations to any political party. No political donations were made during the year. The definition of political donations under the Companies Act 2006 is very broad and may catch activities such as funding seminars and other functions to which politicians are invited, supporting certain bodies involved in policy review and law reform and matching employees' donations to certain charities. Therefore, to ensure the Company remains in strict compliance with the Companies Act, the Board has again decided to seek shareholders' authority for political donations and political expenditure (as defined by the Companies Act) at the 2020 AGM. The Board has no intention of making donations to any political party.

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 a representative office in Beijing, China. A full list of the Group's offices and their locations can be obtained from the Company Secretary at the Company's registered office or from its website www.barrattdevelopments.co.uk.

Capital structure

The Company has a single class of share capital, which is divided into ordinary shares of 10 pence each. All issued shares are in registered form and are fully paid. Details of the Company's issued share capital and of the movements in the share capital during the year can be found on page 212. 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 16 October 2019, the Directors were given authority to allot shares up to a nominal value of £33,936,815 (representing one-third of the nominal value of the Company's issued share capital as at 6 September 2019), such authority to remain valid until the end of the 2020 AGM or, if earlier, until the close of business on 16 January 2021. A resolution to renew this authority will be proposed at the 2020 AGM.

Rights and obligations attaching to shares

Subject to any rights attached to existing shares, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide.

Subject to the Act, the Articles specify that rights attached to any existing class of shares may be varied either with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them.

Details of restrictions of voting rights are provided in the Notice of AGM.

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.

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 that 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.

Other statutory disclosures CONTINUED

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 16 October 2019, shareholders gave authority to the Company to buy back up to an aggregate of 101,810,446 ordinary shares (representing 10% of the Company's issued share capital). This authority is valid until the end of the 2020 AGM or, if earlier, until the close of business on 16 January 2021. Under the authority there is a minimum and maximum price to be paid for such shares. Any shares that 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 2020 AGM.

Articles of Association

The Company's Articles contain regulations that 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.

A special resolution to update the Company's Articles will be proposed at the 2020 AGM and further information regarding the changes proposed is given in the Notice of Meeting, which can be found on the shareholder centre section of the Barratt Developments PLC website.

Approach to tax and tax governance

For all taxes, it is the Group's aim to ensure it accurately calculates and pays the tax that is due at the correct time. Whilst the Group does seek to minimise its tax liabilities through the use of legitimate routine tax planning, it does not participate in aggressive tax planning schemes. The Group also seeks to be transparent in its dealings with HMRC and has regular dialogue with its representatives to discuss both developments in the business and the ongoing tax position. In accordance with UK legislation, we have published details of our tax strategy and this can be found at www.barrattdevelopments.co.uk.

The Chief Financial Officer retains overall responsibility for oversight of the tax affairs of the Group. Jessica White, Chief Financial Officer, was Senior Accounting Officer throughout the year ended 30 June 2020. 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 2020 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, December 2017, November 2018 and November 2019) 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 (principal and interest) under the notes. If a noteholder accepts such offer of prepayment, such prepayment shall take place on a business day that is not 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 control (as defined in the Corporation Tax Act 2010) of the Company. The note purchase agreements also impose upon the holders customary restrictions on resale or transfer of the notes, such as the transfer being subject to a de minimis amount.

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.

On behalf of the Board

Tina Bains
Company Secretary

1 September 2020

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 EU 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.

IAS1 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 IASB'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 UK 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, SIC interpretations as adopted and endorsed by the EU, IFRIC 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 80 to 82. By order of the Board

David Thomas Chief Executive	**Jessica White** Chief Financial Officer
1 September 2020	1 September 2020

The Directors' Report from pages 80 to 155 inclusive was approved by the Board on 1 September 2020 and is signed on its behalf by

Tina Bains
Company Secretary

Governance

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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

1. 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 2020 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 Shareholders' Equity;
- the Consolidated and Company Balance Sheets;
- the Consolidated and Company Cash Flow Statement; 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.

2. 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. The non-audit services provided to the Group and Company for the year are disclosed in note 2.3.4 to the Financial Statements. 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.

3. Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- Margin recognition
- Costs associated with legacy properties

Within this report, key audit matters are identified as follows:

Newly identified / Similar level of risk / Increased level of risk / Decreased level of risk

Materiality

The materiality that we used for the Group Financial Statements was £35m which was determined on the basis of considering a number of different metrics used by investors and other readers of the Financial Statements. These included:

- Profit before tax;
- Revenue; and
- Net assets.

Scoping

Our scoping focused on the audit work of the two components, being housebuilding and joint ventures (JVs). All audit work was completed directly by the Group audit team.

Significant changes in our approach since the prior year

The following additional key audit matter was identified in the current year:

- Following review of its legacy properties for potential cladding issues during 2019/20 and where potential additional structural remediation was identified, estimates as to the costs of future remediation works for those affected properties have been made. Given the estimation uncertainty in making these assessments, accordingly this was identified as a key audit matter.

The basis for determining materiality was changed from profit before tax to a number of different metrics used by investors and other readers of the Financial Statements to reflect the volatility in the results of the Group arising from the impact of COVID-19.

Independent Auditor's Report

to the members of Barratt Developments PLC

4. Conclusions relating to going concern, principal risks and viability statement

4.1. 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 the 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 the COVID-19 pandemic and 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 at least 12 months from the date of approval of the Financial Statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2. 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 71-78 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the Directors' confirmation on page 71 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 79 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 Group 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 these matters.

5. 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.

5.1. 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. Estimation includes the use of forecast data in respect of sales volumes and prices together with construction costs; • 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 to those units impacted by the deviation. As a result of COVID-19, in the current financial year Management supplemented their existing margin valuation control to address the risk of remote working, to include a non-productive costs control to identify costs incurred during lockdown which should be directly expensed in the Income Statement under IAS 2 'Inventories' as well as a specific control to identify site extension costs which were estimated and recorded based on expected activity on a site-by-site basis. There is a judgement in relation to the assumptions applied by Management such as house pricing and cost estimates. These judgements impact the profit recognised on each unit sold and reported margin is a key metric for the Group. Refer to page 116 (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, the control changes as a response to COVID-19 and specifically those relating to the valuation of sites and margin review; • Assessed the non-productive and COVID-19 related site extension cost assumptions in the valuation for each site by testing a sample and agreeing to underlying support; • Made enquiries of Management to support their assumptions and sought external corroboration including from our internal real estate specialists, regarding forecast sales prices and costs to complete; • Used bespoke analytics to analyse the cost to complete. 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 enquiries and obtained corroborative evidence from divisions for exceptions identified; • 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; and • 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.
Key observations	Based on the procedures performed, we concluded that margin was recognised appropriately in the year.

Independent Auditor's Report

to the members of Barratt Developments PLC

5.2. Costs associated with legacy properties

Key audit matter description	Following the events at Grenfell Tower in 2017, the Group undertook a review of all legacy developments to identify those that have been constructed with aluminium composite materials ("ACM"). Upon removal of the cladding work in relation to the Citiscape development in Croydon during 2020, structural concerns were identified in the building. Given the issues identified, the Group appointed independent structural engineers to review all of the other developments designed by either the same original engineering firm that designed Citiscape or by other companies within its wider corporate group, to assess whether there were other legacy properties with similar structural issues. As at the end of the financial year the Group holds a provision of £28.2m (2018/19: £nil) in relation to legacy properties following a charge of £39.9m (2018/19: £nil) recognised as an adjusted item. The accounting for these provisions involves a number of assumptions when estimating the future costs. The key judgements related to this key audit matter are: • Determining which buildings the Group has an obligation to remediate at the balance sheet date; and • The cost of the future works. After the balance sheet date the Board committed to pay for the remedial work at Citiscape. The total estimated cost in relation to the work is expected to be c.£48m and will be charged in 2020/21 financial year. Further details are included in Note 3.6 to the Financial Statements and in the Audit Committee report on page 116.
How the scope of our audit responded to the key audit matter	Our work included the following: • Obtained an understanding of controls relevant to the recognition and estimation of costs associated with the legacy developments; • Assessed how the value of the provision has been determined, whether a present obligation to rectify the properties existed at the balance sheet date and that the associated costs have been recorded in the appropriate accounting period; • Validated a sample of cost estimates to underlying support and involved our internal real estate specialists to perform independent external research and challenge the estimates; • Assessed the associated disclosures, including consideration of costs classified as adjusted items.
Key observations	Based on the procedures performed we concluded the provision recorded by Management to be appropriate.

6. Our application of materiality

6.1. 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	£35m (2018/19: £44m)	£31.5m (2018/19: £39.6m)
Basis for determining materiality	We considered the following metrics: • Profit before tax; • Revenue; and • Net assets. Using professional judgment we determined materiality to be £35m. In the prior year, materiality was determined on the basis of 5% of statutory profit before tax.	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	In determining our benchmark for materiality we considered a number of different metrics used by investors and other readers of the Financial Statements. This approach is a change from the prior year to reflect the volatility in the results of the Group arising from the impact of COVID-19. Materiality for the current year represents 7.1% of profit before tax (2018/19: 5%), 1.0% of revenue (2018/19: 0.9%) and 0.7% of net assets (2018/19: 0.9%).	Net assets was used as the benchmark because it provides a stable basis and there are volatile earnings between periods.

6.2. Performance materiality

We set performance materiality at a level lower than materiality 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 2020 audit (2018/19: 70%). In determining performance materiality, we considered the following factors:

- 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.

Independent Auditor's Report
to the members of Barratt Developments PLC

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.8m (2018/19: £2.2m), 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.

7. An overview of the scope of our audit

7.1. Scoping

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 two identified components, being housebuilding and joint ventures, which take into consideration all of the Group's divisions, as well as the head office consolidation. The commercial business was not identified as a separate component in 2019/20.

7.2. Our consideration of the control environment

We obtained an understanding of the internal controls over significant risks, including the key audit matters of margin recognition and legacy properties. Controls over margin recognition were also tested as part of the current year audit process. In addition, we obtained an understanding of other key controls which we would expect in a housebuilder, namely those over land and work in progress and those over subcontractor and other expenses. In 2019/20, due to the potential impact of COVID-19 on the operation of controls, we fully tested controls relating to subcontractors, expenditure and land and work in progress in the year rather than relying on testing performed in previous years. Our IT specialists assessed the internal controls over the three key IT systems and gained an understanding over other supporting systems.

8. Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our Auditor's Report thereon.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the Directors that they consider the Annual Report and 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.

In reaching this conclusion, we agreed financial and a sample of non-financial information included in the Annual Report 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.

We have nothing to report in respect of these matters.

9. 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.

10. 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 and non-compliance with laws and regulations 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.

11. 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.

11.1 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, we considered the following:

- The nature of the housing market, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- The Group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- Results of our enquiries of Management, internal audit, 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 of fraud or non-compliance with laws and regulations;
- Discussions among the audit engagement team including relevant internal specialists, including tax, valuations, pensions, real estate and IT regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: margin recognition and the valuation of costs associated with legacy properties. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the Financial Statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's environmental regulations, planning, and health and safety law.

Independent Auditor's Report
to the members of Barratt Developments PLC

11.2. Audit response to risks identified

As a result of performing the above, we identified margin recognition and costs associated with legacy properties as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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 provisions of relevant laws and regulations described 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.

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.

Report on other legal and regulatory requirements

12. 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.

13. Matters on which we are required to report by exception

13.1. 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.**

13.2. 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.**

14. Other matters

14.1. Auditor tenure

Following the recommendation of the Audit Committee, 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 re-appointed as auditor for the year ending 30 June 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and re-appointments of the firm is 13 years, covering the years ending 30 June 2008 to 30 June 2019.

14.2. 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).

15. 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
1 September 2020

Consolidated Income Statement

Year ended 30 June 2020

Continuing operations	Notes	**2020 £m**	2019[1] £m
Revenue	2.1	**3,419.2**	4,763.1
Cost of sales		**(2,804.9)**	(3,678.9)
Gross profit		**614.3**	1,084.2
Analysed as:			
Adjusted gross profit		**631.4**	1,087.4
Cost associated with legacy properties	2.2	**(39.9)**	(3.2)
CJRS grant income	2.3	**22.8**	–
Administrative expenses	2.3	**(124.5)**	(186.3)
Part-exchange income		**327.5**	341.1
Part-exchange expenses		**(323.9)**	(337.9)
Profit from operations	2.3	**493.4**	901.1
Analysed as:			
Adjusted operating profit		**507.3**	904.3
Cost associated with legacy properties	2.2	**(39.9)**	(3.2)
CJRS grant income	2.2, 2.3	**26.0**	–
Finance income	5.2	**5.1**	7.1
Finance costs	5.2	**(35.0)**	(35.9)
Net finance costs	5.2	**(29.9)**	(28.8)
Share of post-tax profit from joint ventures	4.3	**28.3**	39.2
Analysed as:			
Adjusted share of post-tax profit from joint ventures	4.3	**28.3**	46.2
Cost associated with legacy properties	4.3	**–**	(7.0)
Loss on disposal of joint ventures		**–**	(1.7)
Profit before tax		**491.8**	909.8
Analysed as:			
Adjusted profit before tax		**505.7**	920.0
Cost associated with legacy properties	2.2	**(39.9)**	(10.2)
CJRS grant income	2.2, 2.3	**26.0**	–
Tax	2.6	**(89.1)**	(170.4)
Profit for the year		**402.7**	739.4
Profit for the year attributable to the owners of the Company		**399.7**	740.0
Profit/(loss) for the year attributable to non-controlling interests	4.1.2	**3.0**	(0.6)
Earnings per share from continuing operations			
Basic	2.4	**39.4p**	73.2p
Diluted	2.4	**38.9p**	72.3p

1 The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

The notes on pages 173 to 233 form an integral part of these Financial Statements.

Consolidated Statement of Comprehensive Income

Year ended 30 June 2020

	Notes	**2020 £m**	2019[1] £m
Profit for the year		**402.7**	739.4
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Actuarial loss on defined benefit pension scheme	6.2.2	**(69.2)**	(15.4)
Tax credit relating to items not reclassified		**13.1**	2.9
Total items that will not be reclassified to profit or loss		**(56.1)**	(12.5)
Total comprehensive income recognised for the year		**346.6**	726.9
Total comprehensive income recognised for the year attributable to the owners of the Company		**343.6**	727.5
Total comprehensive income/(expense) recognised for the year attributable to non-controlling interests	4.1.2	**3.0**	(0.6)

1 The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

The notes on pages 173 to 233 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	Own shares (note 5.5.2) £m	Share-based payments (note 6.3) £m	Group retained earnings due to share-holders of the Company £m	Total Group retained earnings due to share-holders of the Company £m	Non-controlling interests (note 4.1.2) £m	Total equity £m
At 1 July 2018 as adjusted for changes in accounting policies[1]	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[1]	101.7	239.3	1,109.0	(15.1)	20.9	3,406.3	3,412.1	6.9	4,869.0
Profit for the year	**–**	**–**	**–**	**–**	**–**	**399.7**	**399.7**	**3.0**	**402.7**
Actuarial loss on pension scheme	**–**	**–**	**–**	**–**	**–**	**(69.2)**	**(69.2)**	**–**	**(69.2)**
Tax on items above taken directly to equity	**–**	**–**	**–**	**–**	**–**	**13.1**	**13.1**	**–**	**13.1**
Total comprehensive income recognised for the year ended 30 June 2020	**–**	**–**	**–**	**–**	**–**	**343.6**	**343.6**	**3.0**	**346.6**
Dividend payments	**–**	**–**	**–**	**–**	**–**	**(373.2)**	**(373.2)**	**–**	**(373.2)**
Distributions to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8.5)**	**(8.5)**
Issue of shares	**0.1**	**5.9**	**–**	**–**	**–**	**–**	**–**	**–**	**6.0**
Share-based payments	**–**	**–**	**–**	**–**	**6.8**	**–**	**6.8**	**–**	**6.8**
Purchase of own shares	**–**	**–**	**–**	**(5.9)**	**–**	**–**	**(5.9)**	**–**	**(5.9)**
Transfers in respect of share options	**–**	**–**	**–**	**0.9**	**(9.7)**	**8.1**	**(0.7)**	**–**	**(0.7)**
Tax on share-based payments	**–**	**–**	**–**	**–**	**(1.4)**	**1.6**	**0.2**	**–**	**0.2**
At 30 June 2020	**101.8**	**245.2**	**1,109.0**	**(20.1)**	**16.6**	**3,386.4**	**3,382.9**	**1.4**	**4,840.3**

1 The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. The adoption of IFRS 16 had no effect on the opening reserves at 1 July 2019. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

In the prior year, the Group's equity at 1 July 2018 was adjusted for the initial application of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from contracts with customers'.

The notes on pages 173 to 233 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	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 2018[1]	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[1]	101.7	239.3	1,109.0	(15.1)	20.4	2,052.8	2,058.1	3,508.1
Profit for the year	**–**	**–**	**–**	**–**	**–**	**504.4**	**504.4**	**504.4**
Actuarial loss on pension scheme	**–**	**–**	**–**	**–**	**–**	**(69.2)**	**(69.2)**	**(69.2)**
Tax on items above taken directly to equity	**–**	**–**	**–**	**–**	**–**	**13.1**	**13.1**	**13.1**
Total comprehensive income recognised for the year ended 30 June 2020	**–**	**–**	**–**	**–**	**–**	**448.3**	**448.3**	**448.3**
Dividend payments	**–**	**–**	**–**	**–**	**–**	**(373.2)**	**(373.2)**	**(373.2)**
Issue of shares	**0.1**	**5.9**	**–**	**–**	**–**	**–**	**–**	**6.0**
Share-based payments	**–**	**–**	**–**	**–**	**6.8**	**–**	**6.8**	**6.8**
Purchase of own shares	**–**	**–**	**–**	**(5.9)**	**–**	**–**	**(5.9)**	**(5.9)**
Transfers in respect of share options	**–**	**–**	**–**	**0.9**	**(9.7)**	**3.6**	**(5.2)**	**(5.2)**
Tax on share-based payments	**–**	**–**	**–**	**–**	**(0.9)**	**1.0**	**0.1**	**0.1**
At 30 June 2020	**101.8**	**245.2**	**1,109.0**	**(20.1)**	**16.6**	**2,132.5**	**2,129.0**	**3,585.0**

1 The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. The adoption of IFRS 16 had no effect on the opening reserves at 1 July 2019. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

In the prior year, the Group's equity at 1 July 2018 was adjusted for the initial application of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from contracts with customers'.

The notes on pages 173 to 233 form an integral part of these Financial Statements.

Balance Sheets

At 30 June 2020

	Notes	Group 2020 £m	Group 2019[1] re-presented[2] £m	Group 1 July 2018[1] re-presented[2] £m	Company 2020 £m	Company 2019[1] re-presented[2] £m	Company 1 July 2018[1] re-presented[2] £m
Assets							
Non-current assets							
Other intangible assets	4.2.2	**101.1**	102.3	100.0	**–**	–	–
Goodwill	4.2.1	**805.9**	805.9	792.2	**–**	–	–
Property, plant and equipment	4.5	**19.0**	17.4	11.6	**9.5**	7.7	5.4
Right-of-use assets	3.5	**46.7**	–	–	**4.8**	–	–
Investments in subsidiary undertakings	4.1.3	**–**	–	–	**3,086.2**	3,085.9	3,085.3
Investments in joint ventures and associates	4.3	**152.1**	189.0	234.1	**–**	–	–
Retirement benefit assets	6.2.2	**3.5**	62.6	58.7	**3.5**	62.6	58.7
Secured loans	3.7	**1.0**	1.4	1.9	**–**	–	–
Deferred tax assets	2.6.3	**–**	–	–	**1.0**	–	–
Trade and other receivables	3.2	**1.3**	1.5	3.1	**–**	–	–
		1,130.6	1,180.1	1,201.6	**3,105.0**	3,156.2	3,149.4
Current assets							
Inventories	3.1	**5,027.9**	4,824.3	4,516.7	**–**	–	–
Secured loans	3.7	**1.1**	1.2	0.3	**–**	–	–
Trade and other receivables	3.2	**84.9**	223.6	226.5	**405.4**	87.2	86.0
Cash and cash equivalents[2]	5.1	**619.8**	1,136.0	1,176.2	**424.0**	889.3	874.5
		5,733.7	6,185.1	5,919.7	**829.4**	976.5	960.5
Total assets		**6,864.3**	7,365.2	7,121.3	**3,934.4**	4,132.7	4,109.9
Liabilities							
Non-current liabilities							
Loans and borrowings	5.1	**(200.0)**	(200.0)	(191.1)	**(200.0)**	(200.0)	(191.1)
Trade and other payables	3.3	**(319.7)**	(413.5)	(566.3)	**–**	–	–
Lease liabilities	3.5	**(36.1)**	–	–	**(3.9)**	–	–
Deferred tax liabilities	2.6.3	**(2.4)**	(17.6)	(25.3)	**–**	(7.8)	(8.6)
		(558.2)	(631.1)	(782.7)	**(203.9)**	(207.8)	(199.7)
Current liabilities							
Loans and borrowings[2]	5.1	**(117.7)**	(177.7)	(193.8)	**(111.0)**	(52.6)	(78.2)
Trade and other payables	3.3	**(1,305.4)**	(1,587.9)	(1,465.8)	**(33.6)**	(364.2)	(434.0)
Lease liabilities	3.5	**(11.7)**	–	–	**(0.9)**	–	–
Current tax liabilities		**(2.8)**	(99.5)	(85.8)	**–**	–	–
Provisions	3.6	**(28.2)**	–	–	**–**	–	–
		(1,465.8)	(1,865.1)	(1,745.4)	**(145.5)**	(416.8)	(512.2)
Total liabilities		**(2,024.0)**	(2,496.2)	(2,528.1)	**(349.4)**	(624.6)	(711.9)
Net assets		**4,840.3**	4,869.0	4,593.2	**3,585.0**	3,508.1	3,398.0
Equity							
Share capital	5.5.1	**101.8**	101.7	101.3	**101.8**	101.7	101.3
Share premium		**245.2**	239.3	232.6	**245.2**	239.3	232.6
Merger reserve	4.1.1	**1,109.0**	1,109.0	1,109.0	**1,109.0**	1,109.0	1,109.0
Total retained earnings		**3,382.9**	3,412.1	3,142.8	**2,129.0**	2,058.1	1,955.1
Equity attributable to the owners of the Company		**4,838.9**	4,862.1	4,585.7	**3,585.0**	3,508.1	3,398.0
Non-controlling interests	4.1.2	**1.4**	6.9	7.5	**–**	–	–
Total equity		**4,840.3**	4,869.0	4,593.2	**3,585.0**	3,508.1	3,398.0

1 The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

2 The prior year balances for cash and cash equivalents and bank overdrafts have been re-presented in accordance with IAS 32 (see note 1.4). There is no impact on the net assets of the Group or the Company.

The notes on pages 173 to 233 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 1 September 2020.

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 £504.4m (2019: £576.9m).

Cash Flow Statements

Year ended 30 June 2020

		Group		Company	
		2020	2019[1] re-presented[2]	**2020**	2019[1] re-presented[2]
	Notes	**£m**	£m	**£m**	£m
Net cash (outflow)/inflow from operating activities (page 172)		**(121.0)**	361.3	**(667.0)**	(85.4)
Investing activities:					
Purchase of property, plant and equipment	4.5	**(7.5)**	(7.2)	**(4.9)**	(4.1)
Consideration, net of cash acquired, paid on acquisition of subsidiaries		**–**	(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	**(31.2)**	(51.0)	**–**	–
Repayment of amounts invested in entities accounted for using the equity method	4.3	**72.2**	66.9	**–**	–
Dividends received from investments accounted for using the equity method	4.3	**24.2**	60.3	**–**	–
Proceeds from the disposal of investments accounted for using the equity method		**–**	18.6	**–**	–
Dividends received from subsidiaries		**–**	–	**519.3**	593.6
Interest received		**3.5**	5.1	**3.0**	3.2
Net cash inflow from investing activities		**61.2**	81.5	**517.4**	592.7
Financing activities:					
Dividends paid to equity holders of the Company	2.5	**(373.2)**	(452.3)	**(373.2)**	(452.3)
Distribution made to non-controlling partner	4.1.2	**(8.5)**	–	**–**	–
Purchase of own shares		**(5.9)**	(21.7)	**(5.9)**	(21.7)
Proceeds from issue of share capital		**6.0**	7.1	**6.0**	7.1
Payment of dividend equivalents		**(0.7)**	–	**–**	–
Loan drawdowns		**–**	–	**58.4**	–
Loan repayments[2]		**(60.0)**	(16.1)	**–**	(25.6)
Repayment of lease liabilities[1]	3.5	**(14.1)**	–	**(1.0)**	–
Net cash outflow from financing activities		**(456.4)**	(483.0)	**(315.7)**	(492.5)
Net (decrease)/increase in cash and cash equivalents		**(516.2)**	(40.2)	**(465.3)**	14.8
Cash and cash equivalents at the beginning of the year[2]		**1,136.0**	1,176.2	**889.3**	874.5
Cash and cash equivalents at the end of the year[2]	5.1	**619.8**	1,136.0	**424.0**	889.3

1 The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

2 The prior year balances for cash and cash equivalents and bank overdrafts have been re-presented in accordance with IAS 32 (see note 1.4).

The notes on pages 173 to 233 form an integral part of these Financial Statements.

Cash Flow Statements CONTINUED
Year ended 30 June 2020

Reconciliation of profit/(loss) from operations to cash flow from operating activities	Notes	Group 2020 £m	Group 2019[1] £m	Company 2020 £m	Company 2019[1] £m
Operating activities:					
Profit/(loss) from operations		**493.4**	901.1	**(5.7)**	(10.1)
Depreciation of property, plant and equipment	4.5	**5.5**	4.3	**2.7**	1.8
Loss on disposal of property, plant and equipment		**0.4**	–	**0.4**	–
Depreciation of right-of-use assets[1]	3.5	**13.6**	–	**0.9**	–
Amortisation of intangible assets	4.2.2	**1.2**	–	**–**	–
Profit on disposal of subsidiary undertaking		**–**	(0.6)	**–**	–
Impairment/(reversal of impairment) of inventories	3.1	**8.2**	(14.8)	**–**	–
Profit on redemption of secured loans		**(0.4)**	(1.2)	**–**	–
Share-based payments charge	6.3	**6.8**	14.1	**1.4**	6.3
Imputed interest on deferred term payables[2]	5.2	**(19.9)**	(21.5)	**–**	–
Imputed interest on lease arrangements[1]	5.2	**(2.0)**	–	**(0.1)**	–
Amortisation of facility fees	5.2	**(2.3)**	(2.8)	**(2.3)**	(2.8)
Finance income related to employee benefits	5.2	**1.6**	2.0	**1.6**	2.0
Total non-cash items		**12.7**	(20.5)	**4.6**	7.3
Increase in inventories		**(211.8)**	(291.9)	**–**	–
Decrease/(increase) in receivables		**129.3**	(2.3)	**(322.1)**	(13.4)
Decrease in payables		**(373.8)**	(53.3)	**(328.8)**	(55.3)
Increase in provisions	3.6	**28.2**	–	**–**	–
Total movements in working capital and provisions		**(428.1)**	(347.5)	**(650.9)**	(68.7)
Interest paid		**(11.7)**	(11.6)	**(15.0)**	(13.9)
Tax paid		**(187.3)**	(160.2)	**–**	–
Net cash (outflow)/inflow from operating activities		**(121.0)**	361.3	**(667.0)**	(85.4)

1 The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

2 The Balance Sheet movements in land payables 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 173 to 233 form an integral part of these Financial Statements.

Notes to the Financial Statements

Year ended 30 June 2020

1 Basis of preparation

1.1 Introduction

These Financial Statements for the Group and Parent Company 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 173 to 233.

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
- Costs associated with legacy properties – see note 3.6
- Impairment of goodwill and indefinite life brands – see note 4.2.3

The Group has exercised judgement in evaluating the impact of COVID-19 on the Financial Statements. In addition to the key sources of estimation uncertainty, the areas where COVID-19 has been considered are:

- Going concern – see note 1.3
- Nature and carrying value of inventories – see note 3.1

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 development, financial performance and financial position are set out in the Strategic Report on pages 2 to 79. The material financial and operational risks and uncertainties that may have an impact on the Group's performance and their mitigation are outlined on pages 72 to 77 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 5.4 to the Financial Statements.

At 30 June 2020, the Group held cash of £619.8m and total loans and borrowings of £317.7m, consisting of £117.7m of overdrafts repayable on demand and £200.0m sterling USPP notes maturing in August 2027. These balances, set against pre-paid facility fees, comprise the Group's net cash of £308.2m presented in note 5.1.

Should further funding be required, the Group has a committed £700m RCF, subject to compliance with certain financial covenants, that matures in November 2024. In addition, on 28 April 2020 the Group received confirmation that it was eligible to access funding under the CCFF until March 2021. Utilisation of the CCFF is not anticipated.

As such, in consideration of its net current assets of £4,267.9m, the Directors are satisfied that the Group has sufficient liquidity to meet its current liabilities and working capital requirements.

The future financial performance of the Group is dependent upon the wider economic environment in which it operates. The factors that particularly affect the performance of the Group include flat or negative economic growth, buyer confidence, mortgage availability and affordability, competitor pricing, new housing supply, falls in house prices or land values and the cost and availability of raw materials, sub-contractors and suppliers.

Notes to the Financial Statements CONTINUED
Year ended 30 June 2020

1.3 Going concern CONTINUED

COVID-19 has heightened the inherent uncertainty in the Group's assessment of these factors. Since the release from lockdown, UK housing market activity has shown a marked rebound and demand relative to supply remains strong. However, the outlook remains unclear: unemployment is expected to rise and market activity could be affected by an unfavourable outcome to negotiations regarding the UK's relationship with the EU or changes to the Government's Help to Buy scheme. The suspension of trading under COVID-19 has increased the Group's short term sensitivity to its RCF covenants. Future outbreaks of the disease may cause further disruption.

The Group's financial forecasts reflect the outcomes that the Directors consider most likely, based on the information available at the date of signing of these Financial Statements. This includes the implementation of COVID-19 safe working practices and market changes following revisions to the Help to Buy scheme.

To assess the Group's resilience to more adverse outcomes, its forecast performance was sensitised to reflect a series of scenarios based on the Group's principal risks and the downside prospects for the UK economy and housing market presented in the latest available external economic forecasts.

This exercise included a reasonable worst-case scenario in which the Group's principal risks manifest in aggregate to a severe but plausible level. This assumed that sales volumes and average selling prices fall below their pre-COVID-19 levels by 25% and 10% respectively, construction costs increase by 5%, and that the Group temporarily closes its operations for two months in response to a national resurgence of the virus.

The effects were modelled over the three-year period covered by the Directors' viability review, alongside reasonable mitigation that the Group would expect to undertake in such circumstances, primarily a reduction in investment in inventories in line with the fall in expected sales and the actions successfully deployed during the Group's closure of its operations in March 2020, without Government assistance. In all scenarios, including the reasonable worst case, the Group is able to comply with its financial covenants, operate within its current facilities without utilising the CCFF, and meet its liabilities as they fall due.

Furthermore, a reverse stress test was performed to determine the market conditions in which the Group, without mitigating action, would cease to be able to operate under its current facilities. Based on past experience and current economic forecasts, the Directors consider the possibility of this outcome to be remote and have identified mitigation that would be adopted in such circumstances.

Accordingly, the Directors consider there to be no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern. They have formed a judgement that there is a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing of these Financial Statements. For this reason, they continue to adopt the going concern basis in the preparation of these Financial Statements.

1.4 Application of accounting standards

During the year ended 30 June 2020 the Group has applied accounting policies and methods of computation consistent with those applied in the prior year except in respect of IFRS 8 'Operating Segments' and IAS 32 'Financial Instruments: Presentation'; and as amended by the adoption of new and revised standards including IFRS 16 'Leases'.

- IFRS 8 'Operating segments':

This standard requires disclosure of a segment's information if its revenue, profit or assets constitute 10% of the Group's total. In recent years, the Group's Commercial operating segment has consistently not met these criteria and its disclosure does not give useful information to investors concerning the value and risks of the Group. Therefore it is no longer disclosed separately.

- IAS 32 'Financial Instruments: Presentation':

The Group's cash balances and bank overdrafts are subject to cash pooling arrangements. In accordance with IAS 32: 'Financial Instruments: Presentation', cash balances are presented gross within cash and cash equivalents and bank overdrafts are presented gross within current loans and other borrowings. In prior periods, these amounts were presented net in cash and cash equivalents. For presentational purposes, the balances have been re-presented as at 30 June 2019 and 1 July 2018. The impact of this change is to increase both cash and cash equivalents and bank overdrafts within current loans and other borrowings as at 30 June 2019 by £177.7m and as at 1 July 2018 by £193.8m in the Group's Balance Sheet. This has had no impact on net assets.

1.4 Application of accounting standards CONTINUED

During the year the Group has adopted the following new and revised standards and interpretations:

- IFRS 16 'Leases':

This standard became effective for accounting periods beginning on or after 1 January 2019 and was applicable to the Group for the year beginning on 1 July 2019, replacing IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease'.

The Group has applied IFRS 16 using the modified retrospective approach, under which any cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Comparative information has not, therefore, been restated and is reported under previous accounting policies.

IFRS 16 specifies how leases are recognised, measured and disclosed.

The Group has elected to apply the practical expedient in respect of the assessment of transactions as leases. Contracts not previously assessed as leases under IAS 17 were not reassessed.

The Group as a lessee

Prior to the application of IFRS 16 the Group's property and equipment leases were classified as operating leases. Under IFRS 16 right-of-use assets and lease liabilities are recognised in the Balance Sheet. At transition, lease liabilities were measured at the present value of remaining lease payments, discounted at incremental borrowing rates which ranged between 1% and 6% at 1 July 2019. Incremental borrowing rates were calculated based upon risk free UK government bond rates adjusted for the average term of each lease portfolio and Group specific spread adjustments. Lease liabilities are re-measured when the Group changes its assessment of whether it will exercise a termination or extension option. Right-of-use assets are initially measured at cost comprising the initial measure of the lease liability plus any direct costs less any lease incentives. Subsequently, right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

The following practical expedients were used when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- a single discount rate is applied to portfolios of leases with similar properties
- the exemptions not to recognise right-of-use assets and liabilities for leases with a low-value underlying asset or a lease term of less than 12 months are applied
- initial direct costs were excluded from measurement of the right-of-use asset at the date of initial application
- hindsight was used in determining the lease term

The Group as lessor

The Group is not required to make any adjustments on transition to IFRS 16.

Information on the impact of the adoption of IFRS 16 on the Financial Statements is provided in note 1.5.

There has been no impact on the Financial Statements as a result of:

- IFRIC 23 'Uncertainty over Income Tax Treatments';
- Amendments to IFRS 9 'Prepayment Features with Negative Compensation';
- Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures';
- Annual Improvements to IFRS Standards 2015-2017 Cycle; and
- Amendments to IAS 19 'Plan Amendment, Curtailment or Settlement'.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2020

1.5 Impact of changes in accounting policies

On transition to IFRS 16 the Group recognised £55.4m of right-of-use assets, £55.0m of lease liabilities and £0.4m of accruals.

The table below presents a reconciliation from operating lease commitments disclosed at 30 June 2019 to lease liabilities recognised at 1 July 2019.

	Group £m	Company £m
Operating lease commitments disclosed under IAS 17 at 30 June 2019	58.3	5.8
Effect of discounting	(10.4)	(0.2)
Other adjustments including adjustments for short term leases and hindsight adjustments	7.1	–
Lease liabilities recognised at 1 July 2019	55.0	5.6

The Group has elected to adopt IFRS 16 using the modified retrospective approach, under which any cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Comparative information has not been restated. The tables below and on pages 177 and 178 summarise the impact of the adoption of IFRS 16 on the Income Statement, Balance Sheet and Cash Flow Statement.

	Group		
Impact on Consolidated Income Statement:	**Year ended 30 June 2020 as reported £m**	Adjustments in respect of the adoption of IFRS 16 £m	Year ended 30 June 2020 before adjustments for the adoption of IFRS 16 £m
Revenue	**3,419.2**	–	3,419.2
Cost of sales	**(2,804.9)**	0.5	(2,805.4)
Gross profit	**614.3**	0.5	613.8
Administrative expenses	**(124.5)**	0.8	(125.3)
Part-exchange income	**327.5**	–	327.5
Part-exchange expenses	**(323.9)**	–	(323.9)
Profit from operations	**493.4**	1.3	492.1
Finance income	**5.1**	–	5.1
Finance costs	**(35.0)**	(2.0)	(33.0)
Net finance costs	**(29.9)**	(2.0)	(27.9)
Share of post-tax profit from joint ventures	**28.3**	–	28.3
Profit before tax	**491.8**	(0.7)	492.5
Tax	**(89.1)**	0.1	(89.2)
Profit for the year	**402.7**	(0.6)	403.3
Earnings per share from continuing operations			
Basic	**39.4p**	(0.1p)	39.5p
Diluted	**38.9p**	–	38.9p

1.5 Impact of changes in accounting policies CONTINUED

Impact on Balance Sheet:	Group As at 30 June 2020 as reported £m	Group Adjustments in respect of the adoption of IFRS 16 £m	Group As at 30 June 2020 before adjustments for the adoption of IFRS 16 £m	Company As at 30 June 2020 as reported £m	Company Adjustments in respect of the adoption of IFRS 16 £m	Company As at 30 June 2020 before adjustments for the adoption of IFRS 16 £m
Assets						
Non-current assets						
Right-of-use assets	**46.7**	46.7	–	**4.8**	4.8	–
Other non-current assets per Balance Sheet	**1,083.9**	–	1,083.9	**3,100.2**	–	3,100.2
	1,130.6	46.7	1,083.9	**3,105.0**	4.8	3,100.2
Current assets	**5,733.7**	–	5,733.7	**829.4**	–	829.4
Total assets	**6,864.3**	46.7	6,817.6	**3,934.4**	4.8	3,929.6
Liabilities						
Non-current liabilities						
Lease liabilities	**(36.1)**	(36.1)	–	**(3.9)**	(3.9)	–
Other non-current liabilities	**(522.1)**	–	(522.1)	**(200.0)**	–	(200.0)
	(558.2)	(36.1)	(522.1)	**(203.9)**	(3.9)	(200.0)
Current liabilities						
Lease liabilities	**(11.7)**	(11.7)	–	**(0.9)**	(0.9)	–
Other current liabilities	**(1,454.1)**	0.5	(1,454.6)	**(144.6)**	–	(144.6)
	(1,465.8)	(11.2)	(1,454.6)	**(145.5)**	(0.9)	(144.6)
Total liabilities	**(2,024.0)**	(47.3)	(1,976.7)	**(349.4)**	(4.8)	(344.6)
Net assets	**4,840.3**	(0.6)	4,840.9	**3,585.0**	–	3,585.0
Equity						
Retained earnings	**3,382.9**	(0.6)	3,383.5	**2,129.0**	–	2,129.0
Other reserves and capital	**1,456.0**	–	1,456.0	**1,456.0**	–	1,456.0
Non-controlling interests	**1.4**	–	1.4	**–**	–	–
Total equity	**4,840.3**	(0.6)	4,840.9	**3,585.0**	–	3,585.0

Notes to the Financial Statements CONTINUED

Year ended 30 June 2020

1.5 Impact of changes in accounting policies CONTINUED

Impact on Cash Flow Statement:	Group Year ended 30 June 2020 as reported £m	Group Adjustments in respect of the adoption of IFRS 16 £m	Group Year ended 30 June 2020 before adjustments for the adoption of IFRS 16 £m	Company Year ended 30 June 2020 as reported £m	Company Adjustments in respect of the adoption of IFRS 16 £m	Company Year ended 30 June 2020 before adjustments for the adoption of IFRS 16 £m
Profit/(loss) from operations	**493.4**	1.3	492.1	**(5.7)**	0.1	(5.8)
Depreciation of right-of-use assets	**13.6**	13.6	–	**0.9**	0.9	–
Imputed interest on lease arrangements	**(2.0)**	(2.0)	–	**(0.1)**	(0.1)	–
Other non-cash items	**1.1**	–	1.1	**3.8**	–	3.8
Total non-cash items	**12.7**	11.6	1.1	**4.6**	0.8	3.8
Increase in inventories	**(211.8)**	–	(211.8)	**–**	–	–
Movement in payables and receivables	**(244.5)**	1.2	(245.7)	**(650.9)**	0.1	(651.0)
Increase in provisions	**28.2**	–	28.2	**–**	–	–
Total movements in working capital and provisions	**(428.1)**	1.2	(429.3)	**(650.9)**	0.1	(651.0)
Interest paid	**(11.7)**	–	(11.7)	**(15.0)**	–	(15.0)
Tax paid	**(187.3)**	–	(187.3)	**–**	–	–
Net cash (outflow)/inflow from operating activities	**(121.0)**	14.1	(135.1)	**(667.0)**	1.0	(668.0)
Net cash inflow from investing activities	**61.2**	–	61.2	**517.4**	–	517.4
Repayment of lease liabilities	**(14.1)**	(14.1)	–	**(1.0)**	(1.0)	–
Other financing activities	**(442.3)**	–	(442.3)	**(314.7)**	–	(314.7)
Net cash outflow from financing activities	**(456.4)**	(14.1)	(442.3)	**(315.7)**	(1.0)	(314.7)
Net decrease in cash and cash equivalents	**(516.2)**	–	(516.2)	**(465.3)**	–	(465.3)
Cash and cash equivalents at the beginning of the year[1]	**1,136.0**	–	1,136.0	**889.3**	–	889.3
Cash and cash equivalents at the end of the year	**619.8**	–	619.8	**424.0**	–	424.0

1 The prior year balances for cash and cash equivalents and bank overdrafts have been re-presented in accordance with IAS 32 (see note 1.4).

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 2020 and later periods. None of these are expected to have a material impact on the Group. The Group has not early-adopted any standard, amendment or interpretation.

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

The Group considers all contracts with commercial customers and registered providers on a contract by contract basis and determines the appropriate revenue recognition based on the particular terms of that contract. For the majority of such contracts, there is a single performance obligation for which revenue is recognised at a point in time, when construction has been completed and control is transferred to the customer. The Group recognises revenue over time in relation to certain contracts with registered housing providers only in circumstances in which control of the associated land is transferred to the customer before or during construction. Revenue is only recognised from the point at which control of the associated land is transferred. Revenue is recognised because the construction activity enhances an asset that is controlled by the customer.

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. The Group is satisfied that it is appropriate to measure performance by reference to surveys of work performed to date, because these surveys identify the extent to which benefits have been transferred to the customer. 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 other revenue.

An analysis of the Group's continuing revenue is as follows:

	Residential completions[1]		**Revenue**	
	2020 number	2019 number	**2020 £m**	2019 £m
Revenue from private residential sales	**9,568**	13,533	**2,971.5**	4,222.6
Revenue from affordable residential sales	**2,466**	3,578	**402.0**	473.1
Other revenue including commercial sales	**–**	–	**45.7**	67.4
	12,034	17,111	**3,419.2**	4,763.1

[1] Residential completions exclude JV completions of 570 homes (2019: 745) in which the Group has an interest.

Included within Group revenue is £140.9m (2019: £76.8m) of revenue from construction contracts on which revenue is recognised over time by reference to the stage of completion of the contracts (note 3.4). Of this amount, £19.2m (2019: £3.3m) was included in the contract liability balance at the beginning of the year.

Revenue includes £464.5m (2019: £521.4m) 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.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2020

2.2 Adjusted items

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, government grants received under unusual circumstances, gains or losses on the disposal of businesses or individual assets, and asset impairments, including land, work in progress, goodwill and investments.

Cost associated with legacy properties:

During the year, charges of £39.9m were recognised in respect of costs associated with legacy properties (2019: £6.9m charged in respect of costs associated with legacy properties and £3.7m released following the disposal of a legacy property). These amounts have been separately disclosed as adjusted items in the Income Statement. Further details are provided in note 3.6. No charge (2019: £7.0m) was recognised in adjusted items in the year in respect of costs associated with legacy JV properties.

CJRS grant income:

During the year, the Group recognised grant income of £26.0m in respect of the UK Government's CJRS (2019: £nil). This was a one-off, temporary Scheme, from which the income has been voluntarily refunded by the Group after the balance sheet date. No income in respect of CJRS will be recognised in future periods. It has therefore been presented as an adjusted item. Further information regarding the repayment of the grant is included in note 7.3.

2.3 Profit from operations

Profit from operations includes all of the revenue and costs derived from the Group's operating businesses. Profit from operations excludes finance costs, finance income, the Group's share of profits or losses from 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 allocates 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's site valuation process determines the forecast profit margin for each site. The valuation process acts as a method of allocating land costs and construction work in progress costs of a development to each individual plot and drives the recognition of costs in the Income Statement as each plot is sold. Any changes in the forecast profit margin of a site from changes in sales prices or costs to complete is recognised across all homes sold in both the current period and future periods. This ensures that the forecast site margin achieved on each individual home is equal across the development.

The Group has reassessed its estimates on a site-by-site basis to incorporate the expected extension of site duration caused by COVID-19 and the adoption of COVID-19 safe working practices and protocols. On average, the Group estimates that site durations will increase by around six months, resulting in an additional allocation of £29.1m of site-wide development costs to homes sold in the current year.

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 impact cost of sales and work in progress and would reduce the Group's gross profit by £22.9m, a reduction in gross margin of 70 bps.

Depreciation of right-of-use assets

Right-of-use assets are depreciated in the Income Statement in equal instalments to the earlier of the end of the lease term or the end of the useful life of the asset.

2.3 Profit from operations CONTINUED

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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the Income Statement so as to match with the related costs they are intended to compensate for. Grants related to assets are deducted from the carrying amount of the asset. Grants related to income are included in the appropriate line within the Income Statement.

Part-exchange income and expenses

Income on the sale of a part-exchange property is recognised at legal completion at the fair value of consideration received or receivable for the property.

Part-exchange properties are recognised in inventories at the lower of cost, being their fair value at acquisition, and their net realisable value. The amount of any write-down of inventories to net realisable value, or reversal of a previous write-down, is recognised in the income statement in the period in which it occurs.

The carrying amount of a part exchange property is recognised as an expense in the period in which the related income is recognised. Maintenance costs are recognised in the Income Statement in the period in which they are incurred.

2.3.1 Profit from operations is stated after charging/(crediting):

	Notes	**2020 £m**	2019 £m
Cost of inventories recognised as an expense in cost of sales		**2,511.9**	3,502.7
Of which relate to incremental costs of extensions in site durations due to the adoption of COVID-19 safety practices		*29.1*	–
Employee costs (including Directors)[2]	6.1	**374.7**	427.1
Of which relate to non-productive site employees expensed during the COVID-19 closedown period that would ordinarily be capitalised as work in progress		*25.4*	–
Other non-productive site and safety costs expensed during the COVID-19 closedown period that would ordinarily be capitalised as work in progress		**19.8**	–
Government grants	2.3.3	**(26.0)**	–
Depreciation of property, plant and equipment	4.5	**5.5**	4.3
Depreciation of right-of-use assets[1]	3.5	**13.6**	–
Lease income	3.5	**(1.2)**	(1.2)
Operating lease charges – hire of plant, machinery and vehicles[1]		**–**	35.5
Operating lease charges – other[1]		**–**	14.5

1 The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.
2 The employee costs reported above are before the deduction of government grants receivable in respect of these costs of £26.0m (2019: £nil). Further details are provided in notes 2.3.3 and 6.1.

Profit from operations is stated after charging the Directors' emoluments disclosed in the Remuneration report on pages 142 and 143 and in note 6.1.

The Group does not recognise income from supplier rebates until it can be calculated reliably and it is certain that it will be received from suppliers. During the year, £30.8m (2019: £33.5m) of supplier rebate income was included within profit from operations.

Notes to the Financial Statements CONTINUED
Year ended 30 June 2020

2.3 Profit from operations CONTINUED
2.3.2 Cost of sales
In response to the COVID-19 pandemic, the Group took the decision to temporarily close its sales centres, construction sites and offices during the year and implemented extensive working practices and protocols to enable a safe return to operations. Included within cost of sales are £45.2m (2019: £nil) of non-productive site overheads and safety costs incurred during the controlled closure and restart of our sites that would ordinarily be capitalised as work in progress including £25.4m of employee costs. Additional site-wide development costs arising from extensions in site durations of £29.1m (2019: £nil) have been allocated to homes sold in the current year in line with the Group's margin recognition policy, more detail of which is included note 2.3.

Cost of sales is presented net of £22.8m in Government grant income received in respect of the CJRS (2019: £nil).

2.3.3 Government grants and assistance
During the year the Group recognised CJRS grant income from the Government designed to mitigate the impact of COVID-19. Amounts receivable during the year are disclosed below. No Government grants were receivable or received during 2019.

	2020 Amounts receivable and received £m
Grant income in respect of the CJRS included in cost of sales	**22.8**
Grant income in respect of the CJRS included in administrative expenses	**3.2**
	26.0

At 30 June 2020, receivables in respect of the CJRS of £4.4m (2019: £nil) were included in other receivables.

On 6 July 2020 the Group announced that it would return all Government grants received in respect of the CJRS. These grants have been repaid since the balance sheet date (see note 7.3).

2.3.3 Administrative expenses
Administrative expenses of £124.5m (2019: £186.3m) include sundry income of £29.0m (2019: £26.3m) which principally comprises management fees receivable from joint ventures, property management income, the sale of freehold reversions, ground rent receivable and Government grant income.

2.3.4 Auditor's remuneration
The remuneration paid to Deloitte LLP, the Group's principal auditor, is disclosed below:

	2020 £000	2019 £000
Fees payable to the Company's auditor for the audit of the Parent Company and Consolidated Financial Statements	**275**	148
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	**290**	253
Total audit fees	**565**	401
Audit-related assurance services[1]	**32**	28
Other services[2]	**20**	30
Total fees for other services	**52**	58
Total fees related to the Company and its subsidiaries	**617**	459

1 Audit-related assurance services comprise the review of the interim report.
2 Other services comprise a short term, limited scope, piece of advisory support; and in the previous year were in relation to the provision of planning related information required in the sale of a subsidiary.

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 page 119. 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:

	2020 £000	2019 £000
The audit of the Group's JVs pursuant to legislation	**163**	145
Other audit-related services[1]	**10**	10
Total fees related to joint ventures	**173**	155

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:

	2020 pence	2019[1] pence
Basic earnings per share	**39.4**	73.2
Diluted earnings per share	**38.9**	72.3

[1] The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard 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 EBT that do not attract dividend equivalents which are treated as cancelled.

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.

	Note	2020	2019[1]
Profit attributable to ordinary shareholders of the Parent Company (£m)		**399.7**	740.0
Weighted average number of shares in issue (million)		**1,018.2**	1,014.2
Weighted average number of shares in EBT (million)		**(4.3)**	(3.8)
Weighted average number of shares for basic earnings per share (million)		**1,013.9**	1,010.4
Weighted average number of shares in issue (million)		**1,018.2**	1,014.2
Adjustment to assume conversion of all potentially dilutive shares (million)		**10.0**	10.0
Weighted average number of shares for diluted earnings per share (million)		**1,028.2**	1,024.2

[1] The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

Notes to the Financial Statements CONTINUED
Year ended 30 June 2020

2.5 Dividends

	2020 £m	2019 £m
Amounts recognised as distributions to equity shareholders in the year:		
Final dividend for the year ended 30 June 2019 of 19.5p (2018: 17.9p) per share	**197.8**	180.6
Special dividend for the year ended 30 June 2019 of 17.3p (2018: 17.3p) per share	**175.4**	174.6
Interim dividend for the year ended 30 June 2020 of nil (2019: 9.6p) per share	**–**	97.1
Total dividends distributed to equity shareholders in the year	**373.2**	452.3

	2020 £m	2019 £m
Proposed final dividend for the year ended 30 June 2020 of nil (2019: 19.5p) per share	**–**	197.1
Proposed special dividend for the year ended 30 June 2020 of nil (2019: 17.3p) per share	**–**	175.0

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% (2019: 19.0%) and the closing deferred tax assets and liabilities have been provided in these Financial Statements at a rate of 19.0% (2019: 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.

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 Tax CONTINUED

2.6.1 Tax recognised in the Income Statement

The tax expense represents the sum of the tax currently payable and deferred tax.

Analysis of the tax charge for the year	Notes	2020 £m	2019 £m
Current tax:			
UK corporation tax for the year		**100.0**	176.3
Adjustment in respect of previous years		**(7.4)**	(1.7)
		92.6	174.6
Deferred tax:			
Origination and reversal of temporary differences		**(3.1)**	(5.0)
Adjustment in respect of previous years		**(1.5)**	0.2
Impact of change in corporation tax rate		**1.1**	0.6
	2.6.3	**(3.5)**	(4.2)
Tax charge for the year		**89.1**	170.4

Factors affecting the tax charge for the year

The tax rate assessed for the year is lower (2019: lower) than the standard effective rate of corporation tax in the UK of 19.0% (2019: 19.0%). The differences are explained below:

	2020 £m	2019 £m
Profit before tax	**491.8**	909.8
Profit before tax multiplied by the standard rate of corporation tax of 19.0% (2019: 19.0%)	**93.4**	172.9
Effects of:		
Other items including non-deductible expenses	**4.8**	0.5
Additional tax relief for land remediation costs	**(1.3)**	(2.0)
Adjustment in respect of previous years	**(8.9)**	(1.5)
Adjustment for post-tax profits of certain JVs included in Group profit before tax	**–**	(0.1)
Impact of change in tax rate on deferred tax liability	**1.1**	0.6
Tax charge for the year	**89.1**	170.4

Legislation was substantively enacted during the year to repeal the reduction of the main corporation tax rate, thereby maintaining 19.0% throughout the financial year. Accordingly, the rate change includes the re-measurement of opening temporary differences to 19.0% where these were previously measured at between 17.0% and 19.0% depending on the timing of expected reversal.

Completion volumes were significantly reduced by the Group's decision to pause activity in response to COVID-19, reducing profit before tax for the financial year. Adjustments in respect of previous years reflect the latest estimates and assumptions and truing up to final corporation tax computations. The proportional impact of those adjustments has a greater impact on this year's effective tax rate due to the lower profit before tax.

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 £13.3m (2019: £4.5m credit) was recognised directly in equity.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2020

2.6 Tax CONTINUED

2.6.3 Deferred tax

All deferred tax relates to the United Kingdom and is stated on a net basis as the Group has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis.

The Group recognised a net deferred tax liability with the following movements in the year:

	Group						
	Pension scheme £m	Share options £m	Losses £m	Indefinite life brands £m	Accelerated capital allowances £m	Other (net) £m	Total £m
At 1 July 2018	(11.1)	2.9	–	(17.0)	1.2	(1.3)	(25.3)
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)
Year ended 30 June 2020							
Income Statement (charge)/credit	**(2.2)**	**(1.3)**	**0.1**	**(2.0)**	**(0.4)**	**9.3**	**3.5**
Amounts taken directly to equity	**13.1**	**(1.4)**	**–**	**–**	**–**	**–**	**11.7**
At 30 June 2020	**(0.7)**	**2.6**	**0.1**	**(19.0)**	**0.7**	**13.9**	**(2.4)**
Comprising:							
Deferred tax assets	**–**	**2.6**	**0.1**	**–**	**0.7**	**14.1**	**17.5**
Deferred tax liabilities	**(0.7)**	**–**	**–**	**(19.0)**	**–**	**(0.2)**	**(19.9)**

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 £2.1m (2019: £2.0m) in respect of capital and other losses amounting to £10.9m (2019: £11.6m) because these are not considered recoverable in the foreseeable future.

The Company recognised a net deferred tax asset with the following movements in the year:

	Company				
	Pension scheme £m	Share options £m	Accelerated capital allowances £m	Other (net) £m	Total £m
At 1 July 2018	(11.1)	1.5	0.7	0.3	(8.6)
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)
Year ended 30 June 2020					
Income Statement (charge)/credit	**(2.2)**	**(1.2)**	**0.1**	**(0.1)**	**(3.4)**
Amounts taken directly to equity	**13.1**	**(0.9)**	**–**	**–**	**12.2**
At 30 June 2020	**(0.7)**	**0.6**	**0.7**	**0.4**	**1.0**
Comprising:					
Deferred tax assets	**–**	**0.6**	**0.7**	**0.4**	**1.7**
Deferred tax liabilities	**(0.7)**	**–**	**–**	**–**	**(0.7)**

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. Overhead costs include, but are not limited to, roads and other infrastructure costs required for a site and local contributions and physical works contributions required under planning permissions granted for our developments

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.

	Group	
	2020 £m	2019 £m
Land held for development	**3,112.3**	3,071.6
Construction work in progress	**1,852.4**	1,632.8
Part-exchange properties and other inventories	**63.2**	119.9
	5,027.9	4,824.3

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 2020 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 £18.8m (2019: £5.5m) and gross impairment reversals of £10.6m (2019: £20.3m), resulting in a net impairment of £8.2m (2019: £14.8m reversal) 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 effects of COVID-19 have been considered and the expected extension in the time period required to trade through each site has increased site 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 2020

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 initially recognised at their transaction price and subsequently measured at amortised cost, being their nominal value 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	
	Notes	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Non-current assets					
Other receivables		**1.3**	1.5	**–**	–
		1.3	1.5	**–**	–
Current assets					
Trade receivables		**34.6**	151.0	**–**	–
Contract assets[1]	3.4	**0.9**	1.1	**–**	–
Amounts due from subsidiary undertakings		**–**	–	**395.5**	76.3
Other receivables		**33.7**	55.5	**1.3**	1.0
Prepayments and accrued income		**15.7**	16.0	**8.6**	9.9
		84.9	223.6	**405.4**	87.2

1 In the prior year contract assets were included within trade receivables (see note 3.4).

Other receivables include £15.7m (2019: £19.8m) receivable from joint ventures.

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:

		Trade receivables and contract balances		Other receivables		Amounts due from subsidiary undertakings
		Lifetime expected credit losses (individually assessed)		12 month expected credit losses		12 month expected credit losses
Allowance for doubtful receivables	Notes	**Group £m**	**Company £m**	**Group £m**	**Company £m**	**Company £m**
Loss allowance at 1 July 2019		6.1	–	1.6	–	–
Charge for the year	5.3.4	5.8	–	–	–	–
Amounts written off		(0.2)	–	–	–	–
Recoveries of amounts previously written off	5.3.4	(4.1)	–	(0.7)	–	–
Loss allowance at 30 June 2020		**7.6**	**–**	**0.9**	**–**	**–**

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	
	Notes	**2020 £m**	2019[1] £m	**2020 £m**	2019[1] £m
Non-current liabilities					
Land payables		**299.0**	385.6	**–**	–
Other payables		**20.7**	27.9	**–**	–
		319.7	413.5	**–**	–
Current liabilities					
Trade payables		**186.8**	353.6	**2.0**	2.2
Land payables		**492.9**	575.1	**–**	–
Contract liabilities[2]	3.4	**136.6**	101.2	**–**	–
Amounts due to subsidiary undertakings		**–**	–	**19.3**	334.3
Accruals		**463.0**	533.4	**11.5**	26.9
Other tax and social security		**11.3**	13.9	**–**	–
Other payables		**14.8**	10.7	**0.8**	0.8
		1,305.4	1,587.9	**33.6**	364.2

1 The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

2 In the prior year contract liabilities were included within other payables.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2020

3.3 Trade and other payables CONTINUED

The carrying amount of trade payables approximates to their fair value.

Accruals include a £2.3m (2019: £4.7m) social security accrual relating to share-based payments (note 6.3). Other payables classified as non-current liabilities at 30 June 2020 principally comprise payments and deposits received in advance in respect of freehold reversions and housing association contracts.

The Group has £377.7m (2019: £486.4m) of payables secured by legal charges on land and buildings included within inventories and £20.2m (2019: £43.5m) supported by promissory notes. Other non-current payables are unsecured and non-interest bearing.

Further disclosures relating to financial liabilities are set out in note 5.3.

3.4 Contract assets and liabilities

Contract assets relate to amounts due from customers primarily for construction work completed but not invoiced at the balance sheet date in relation to contracts where revenue is recognised over time. These amounts are included in trade and other receivables. The Group has taken advantage of the practical expedient in paragraph 94 of IFRS 15 to immediately expense the incremental costs of obtaining contracts where the amortisation period of the assets would have been one year or less.

Contract liabilities relate to payments received from the customer on the contract, and/or amounts invoiced to the customer in advance of the Group performing its obligations on contracts where revenue is recognised either over time or at a point in time. These amounts are included within trade and other payables.

Significant changes in contract assets and liabilities are as follows:

	Contracts on which revenue is recognised over time		**Contracts on which revenue is recognised at a point in time[1]**	
	2020 £m	2019 £m	**2020 £m**	2019 £m
At 1 July:				
Amounts included within trade and other payables	**(22.8)**	(7.1)	**(78.4)**	(72.5)
Amounts included within trade and other receivables	**1.1**	2.8	**–**	–
	(21.7)	(4.3)	**(78.4)**	(72.5)
Movements in the year:				
Performance obligations satisfied in the year	**140.9**	76.8	**3,278.2**	4,686.3
Amounts invoiced in the year	**(131.3)**	(93.4)	**(3,199.8)**	(4,613.8)
Cash received for performance obligations not yet satisfied	**–**	–	**(123.6)**	(78.4)
Movements in retentions	**–**	(0.8)	**–**	–
At 30 June	**(12.1)**	(21.7)	**(123.6)**	(78.4)
Analysed as:				
Amounts included within trade and other payables	**(13.0)**	(22.8)	**(123.6)**	(78.4)
Amounts included within trade and other receivables	**0.9**	1.1	**–**	–

1 These balances have previously been accounted for under IFRS 9, and therefore not disclosed as contract liabilities. We believe it is more appropriate to regard these balances as being within the scope of IFRS 15 and have therefore reclassified them as contract liabilities.

Further revenue of £217.5m (2019: £272.5m) is expected to be recognised in future years in respect of contracts on which revenue is recognised over time, of which 22.6% (2019: 28.1%) is expected to be recognised within 12 months of the balance sheet date.

The Company has no contract assets or liabilities.

3.5 Leases

3.5.1 The Group as lessee

The Group and Company have applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under IAS 17. The impact of changes is disclosed in note 1.5.

Leases

A right-of-use asset and a lease liability are recognised at the commencement date of a lease. The right-of-use asset is initially measured at cost comprising the initial amount of the lease liability plus payments made before the lease commenced and any direct costs less any incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement of the lease to the earlier of the end of the lease term or the end of the useful life of the asset. The right-of-use asset is also reduced for impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments at the commencement date discounted using the Group's incremental borrowing rate of between 1% and 6%, and is subsequently measured at amortised cost using the effective interest method. The lease liability is re-measured when there is a change in the future lease payments, and a corresponding adjustment is made to the right-of-use asset.

The Group has elected not to recognise right-of-use assets and lease liabilities for short term leases of plant and machinery that have a lease term of 12 months or less and leases of low value including leases of office equipment. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

In the comparative period, as lessee, the Group and Company classified its leases as operating leases, and no asset or liability was recognised in the Balance Sheet. Payments made under operating leases were recognised on a straight-line basis over the term of the lease. Further information on the transition to IFRS 16 and the initial application of the standard is provided in notes 1.4 and 1.5.

The Group and Company lease assets including land and buildings, vehicles, plant and machinery and office equipment. Information about leases for which the Group or Company is a lessee is presented below.

Right-of-use assets:

	Group			Company		
	Land and buildings £m	Other £m	Total £m	Land and buildings £m	Other £m	Total £m
Balance at 1 July 2019	46.1	9.3	55.4	4.9	0.7	5.6
Balance at 30 June 2020	**38.6**	**8.1**	**46.7**	**4.3**	**0.5**	**4.8**
Net additions during the year including re-measurements	**1.9**	**3.0**	**4.9**	**–**	**0.1**	**0.1**

Lease liabilities included in the Balance Sheet:

	Group 2020 £m	Company 2020 £m
Current	**11.7**	**0.9**
Non-current	**36.1**	**3.9**
	47.8	**4.8**

A maturity analysis of the contractual undiscounted cash flows associated with these lease liabilities is presented in note 5.4.1.

Amounts recognised in the Income Statement:

	Group 2020 £m
Interest on lease liabilities	**2.0**
Depreciation of right-of-use land and buildings	**9.4**
Depreciation of other right-of-use assets	**4.2**
Expenses relating to short term and low value leases	**33.9**

The total Group cash outflow for leases in the current year was £47.7m (Company: £1.1m), of which £14.1m (Company: £1.0m) related to the repayment of lease liabilities recognised in the Balance Sheet.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2020

3.5 Leases CONTINUED

3.5.2 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. The Group retains the right to sell these properties, with their future rental income, and it is intended that they will be sold to third parties in the normal course of business. Therefore, they are classified as work in progress until the date of sale.

		Group	
	Notes	**2020 £m**	2019 £m
Property rental income	2.3	**1.2**	1.2
Carrying value of leased assets		**1.2**	1.1
Rent receivable during remaining lease period:			
Within one year		**1.1**	1.1
More than one year and no later than five years		**3.4**	3.0
In five years or more		**4.0**	4.3
		8.5	8.4

	2020 Years	2019 Years
Average lease term	**9.5**	8.3

3.6 Provisions

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

			Group
	Legacy properties – cladding £m	**Legacy properties – Citiscape and related review £m**	**Total £m**
At 1 July 2019	–	–	–
Additions to provisions in the year	**11.4**	**28.5**	**39.9**
Utilisation in the year	**–**	**(11.7)**	**(11.7)**
At 30 June 2020	**11.4**	**16.8**	**28.2**

The Company has no provisions.

3.6 Provisions CONTINUED

Costs associated with legacy properties

Following the Grenfell tragedy, the Government issued a number of advice notes aimed at clarifying fire safety and building safety requirements. These have now been replaced by updated consolidated Government guidance published on 20 January 2020. The updated guidance applies to multi-storey, multi-occupied residential buildings.

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. As a result there has been more scrutiny of all materials used on building facades. 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 at the time of completion. In line with our commitment to put our customers first, we have incurred and accrued £11.4m of costs for work involved at legacy properties associated with removing and replacing cladding.

We voluntarily undertook to pay for work to remove and replace ACM cladding on the Citiscape development in Croydon in 2019. This is a non-standard development which was designed for us in 2001 by a third-party structural engineering firm and was sold to the current freeholders in 2003. When the ACM cladding was removed, structural concerns were identified and we appointed independent structural engineers to undertake a full investigation of the building. These investigations have identified significant issues relating to the design of the building's reinforced concrete frame, requiring extensive remedial work.

As a responsible developer, we appointed independent structural engineers to review all of the other developments where reinforced concrete frames were designed for us by either the same original engineering firm or by other companies within the group of companies which has since acquired it. The preliminary reviews of all 26 of these developments, the majority of which were designed over ten years ago, are complete and have not identified any issues as severe as those present at Citiscape. Engineers are now undertaking more detailed reviews to see if any remediation of the concrete frames is required. Those detailed reviews have so far shown that eleven developments have no defects while nine developments required some remedial action to address smaller-scale problems. At these developments, remedial action has either been successfully completed or is underway.

We apologise unreservedly to affected customers that the standards that we set for ourselves and our partners were not met at these developments. While in most cases we have no legal liability to cover the costs of this work, in line with our commitment to customers and recognising the responsibility we have for the work of our partners, we have taken the decision to pay for the required remedial action which would otherwise fall on leaseholders. We are actively seeking to recover costs from third parties, however there is no certainty regarding the extent of any financial recovery. We have incurred £28.5m of costs for work relating to Citiscape and the associated review.

Management have made estimates as to the future costs, to the extent of the remedial works required and the costs of providing alternative accommodation to those affected. The Financial Statements have been prepared based on currently available information, including known costs and quotations where possible. However, the detailed review is ongoing and therefore the extent and cost of any remedial work may change as this work progresses.

Management have performed a sensitivity analysis to assess the impact of a change in their estimate of total costs. A 10% increase in estimated costs recognised in the year would impact cost of sales and would reduce the Group's gross margin by 20 bps.

3.7 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).

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, 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.

		Group	
Secured loans	Notes	**2020 £m**	2019 £m
At 1 July		**2.6**	3.4
Disposals (at cost)		**(0.9)**	(1.9)
Other provision movements		**0.4**	1.1
At 30 June		**2.1**	2.6
Balance at 30 June analysed as:			
Current	5.3.1	**1.1**	1.2
Non-current	5.3.1	**1.0**	1.4

Notes to the Financial Statements CONTINUED

Year ended 30 June 2020

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	
Movement in non-controlling interest share of net assets recognised in the Consolidated Balance Sheet	**2020 £m**	2019 £m
At 1 July	**6.9**	7.5
Distribution of profits to non-controlling partner	**(8.5)**	–
Share of profit/(loss) for the year recognised in the Consolidated Income Statement	**3.0**	(0.6)
At 30 June	**1.4**	6.9

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 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	
	2020 £m	2019 £m
Cost		
At 1 July	**3,173.5**	3,172.9
Increase in investment in subsidiaries related to share-based payments	**0.3**	0.6
At 30 June	**3,173.8**	3,173.5
Impairment		
At 1 July and 30 June	**87.6**	87.6
Net book value		
At 1 July	**3,085.9**	3,085.3
At 30 June	**3,086.2**	3,085.9

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. 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.

	Group	
	2020 £m	2019 £m
Cost		
At 1 July	**830.4**	816.7
Arising on acquisition during the year	**–**	13.7
At 30 June	**830.4**	830.4
Accumulated impairment losses		
At 30 June	**24.5**	24.5
Carrying amount		
At 30 June	**805.9**	805.9

During the prior year the Group acquired all of the share capital of Oregon Timber Frame Limited. Goodwill arising on the acquisition of £13.7m was capitalised and allocated to the Group's housebuilding business.

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 business.

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.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2020

4.2 Goodwill and other intangible assets CONTINUED

4.2.2 Other intangible assets – Brands CONTINUED

	Brands		Customer contract relationships		Group Total	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Cost						
At 1 July	**107.9**	107.0	**1.4**	–	**109.3**	107.0
Acquired during the year through business combinations	**–**	0.9	**–**	1.4	**–**	2.3
At 30 June	**107.9**	107.9	**1.4**	1.4	**109.3**	109.3
Amortisation						
At 1 July	**7.0**	7.0	**–**	–	**7.0**	7.0
Amortisation in the year	**0.5**	–	**0.7**	–	**1.2**	–
At 30 June	**7.5**	7.0	**0.7**	–	**8.2**	7.0
Carrying amount						
At 30 June	**100.4**	100.9	**0.7**	1.4	**101.1**	102.3

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 prior year the Group acquired brands valued at £0.9m and customer contract relationships valued at £1.4m. These assets are amortised on a straight-line basis in line with the contract relationships at the acquisition date.

4.2.3 Impairment of goodwill and indefinite life brands

The Group conducts an annual impairment review of goodwill and its indefinite life brand, David Wilson Homes, together for the cash-generating unit to which it is allocated, being the housebuilding business.

Impairment of goodwill and indefinite life brands

The impairment review for the goodwill of the housebuilding business and the Group's indefinite life brand requires an estimation of the value-in-use of the housebuilding business. The value-in-use calculation requires an estimate of the expected future cash flows 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 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 2020 by comparing the value-in-use of the housebuilding business to the carrying value of its tangible and intangible assets and allocated goodwill.

The value-in-use was determined by discounting the risk-adjusted expected future cash flows of the housebuilding business. The first year of cash flows were determined using the Group's approved detailed site-by-site forecast. The cash flows for the second 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%, based upon the historical long term growth rate of the UK economy.

COVID-19 has heightened the inherent uncertainty in the prospects for the wider UK economy and housing market in the medium term. The Group's financial forecasts reflect the outcomes that Management consider most likely, based on the information available at the date of signing of these Financial Statements. The key assumptions underlying the forecasts are:

- 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 year dependent upon local market conditions and product type. For years two 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 year dependent upon local market conditions, land availability and planning permissions. For years two 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 year dependent upon the expected costs of completing all aspects of each individual development. For years two 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.

4.2 Goodwill and other intangible assets CONTINUED

4.2.3 Impairment of goodwill and indefinite life brands CONTINUED

The forecasts have been sensitised to reflect scenarios based on the Group's principal risks and the downside prospects for the UK economy through adjustments to the key assumptions. The adverse scenarios modelled are the Directors' assessment of a reasonable worst-case scenario, being that used to assess the Group's ability to continue as a going concern in note 1.3, and a scenario in which the Group's risks manifest to an intermediate level. The risk-adjusted expected future cash flows are the weighted average of these possible economic outcomes. The value-in-use constitutes the present value of these cash flows through the application of an appropriate discount rate.

The key variables for the value-in-use calculations were:

- Discount rate: this is a pre-tax rate reflecting the Group's target capital structure, current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. In the prior year, uncertainty in the Group's cash flows was reflected through an adjustment to the discount rate. In response to COVID-19, Management have reflected future economic uncertainty in the risk-adjusted cash flows, giving a more accurate representation of the risks specific to the Group. As this risk has been reflected in the underlying cash flows, no adjustment has been made to the discount rate. Accordingly, a rate of 10.0% (2019: 15.2%) is considered by the Directors to be the appropriate pre-tax discount rate.
- Probability of variance in assumptions: Management consider the assumptions applied in the Group's forecast to represent the most likely outcomes. To reflect ongoing uncertainty, heightened by COVID-19, the likelihood that actual performance will differ from these assumptions has been estimated at a Group level with reference to external market forecasts and the Group's current trading performance. A change in the assigned probabilities changes the weighting of the scenarios in the calculation of the expected cash flows.

The result of the value-in-use exercise concluded that the recoverable value of goodwill and intangible assets exceeded its carrying value by £1,182.5m (2019: £2,095.6m) and there has been no impairment. The fall in headroom is due to a reduction in forecast completions following COVID-19.

If the value-in-use is determined using only the reasonable worst case cash flows, a full impairment of goodwill and indefinite life brands is required. The sensitivity of the recoverable amount of goodwill to changes in the discount rate and the probabilities of the occurrence of adverse scenarios is shown below.

	+100 bps			-100 bps			
Variable	**Change in value £m**	**Change in value %**	**Revised headroom £m**	**Change in value £m**	**Change in value %**	**Revised headroom £m**	**Change required to reduce headroom to £nil**
Discount rate	(664.0)	(11.1%)	518.5	830.6	13.9%	2,013.0	2.0%
Probability of adverse scenarios	(117.5)	(2.0%)	1,065.0	117.5	2.0%	1,300.0	10.1%

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

Investments in JVs and associated entities are accounted for using the equity method of accounting.

The Group's share of the profit or loss of JVs and associated entities increase or decrease the carrying amount of the investment and long-term interests.

	Group	
JVs and associates	**2020 £m**	2019 £m
At 1 July	**189.0**	234.1
Increase in amounts invested in JVs	**31.2**	51.0
Repayment of investments in JVs	**(72.2)**	(66.9)
Equity accounted investment disposed of in the year	**–**	(8.1)
Dividends received from JVs	**(24.2)**	(60.3)
Share of post-tax profit for the year from JVs	**28.3**	39.2
At 30 June	**152.1**	189.0

There are no losses in any of the Group's JVs or associates which have not been recognised by the Group.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2020

4.3 Investments in jointly controlled entities and associated entities CONTINUED

4.3.1 Joint ventures CONTINUED

At 30 June 2020 the Group had 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 Wates (East Grinstead) Limited	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF	50.0%	50.0%	England and Wales	UK	Holding company	30 June
Barratt Wates (East Grinstead) No.2 Limited[2]	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding	30 June
Barratt Wates (Horley) Limited[1]	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF	78.5%	50.0%	England and Wales	UK	Housebuilding	30 June
Barratt Wates (Lindfield) Limited	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding	30 June
Barratt Wates (Worthing) Limited	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding	30 June
BDWZest Developments LLP[2]	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF	50.0%	50.0%	England and Wales	UK	Holding company	31 March*
BDWZest LLP	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF	50.0%	50.0%	England and Wales	UK	Holding company	31 March*
BK Scotswood LLP	Barratt House, The Watermark, Gateshead NE11 9SZ	50.0%	50.0%	England and Wales	UK	Holding company	31 December*
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 June
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*

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
Infinity Park Derby LLP	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF	50.0%	50.0%	England and Wales	UK	Commercial development	30 June
Nine Elms LLP[2]	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding	31 March*
Nine Elms One Limited[2]	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF	50.0%	50.0%	England and Wales	UK	Dormant	31 March*
Nine Elms Two Limited[2]	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF	50.0%	50.0%	England and Wales	UK	Dormant	31 March*
Old Sarum Park Properties Limited	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF	50.0%	50.0%	England and Wales	UK	Dormant	30 June
Queensland Road LLP[2]	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF	50.0%	50.0%	England and Wales	UK	Housebuilding	31 March*
Ravenscraig Limited[1]	15 Atholl Crescent, Edinburgh EH3 8HA	33.3%	33.3%	Scotland	UK	Commercial development	31 December*
Ravenscraig Town Centre LLP	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF	50.0%	50.0%	England and Wales	UK	Dormant	30 June
Rose Shared Equity LLP	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF	50.0%	50.0%	England and Wales	UK	Investment entity	30 June
Sovereign BDW (Hutton Close) LLP	Woodlands, 90 Bartholomew Street, Newbury, West Berkshire RG14 5EE	50.0%	50.0%	England and Wales	UK	Dormant	30 June
Sovereign BDW (Newbury) LLP	Woodlands, 90 Bartholomew Street, Newbury, West Berkshire RG14 5EE	50.0%	50.0%	England and Wales	UK	Housebuilding	30 June
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, Queensland Road LLP, Fulham Wharf LLP and Nine Elms LLP form a group of limited liability partnerships jointly owned (directly or indirectly) by BDWZest LLP and ZestBDW LLP, both of which are 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 2020

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	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Income	**58.8**	17.0	**43.1**	105.5	**79.7**	116.0
Adjusted expenditure	**(48.3)**	(14.1)	**(38.4)**	(98.2)	**(67.5)**	(94.7)
Costs associated with legacy properties	**–**	–	**–**	–	**–**	–
Interest payable	**–**	–	**(0.1)**	–	**(0.4)**	(0.2)
	10.5	2.9	**4.6**	7.3	**11.8**	21.1
Tax	**–**	–	**–**	–	**–**	–
Profit/(loss) for the year, being total comprehensive income/(expense)	**10.5**	2.9	**4.6**	7.3	**11.8**	21.1
Group share of profit/(loss) for the year recognised in the Consolidated Income Statement	**5.3**	1.5	**2.3**	3.6	**5.9**	10.6
Dividends received from JVs in the year	**2.5**	–	**–**	–	**6.0**	13.0
Current assets	**92.7**	115.0	**44.7**	29.7	**16.5**	134.2
Non-current assets	**–**	–	**–**	–	**–**	–
Current liabilities	**(12.7)**	(35.4)	**(13.7)**	(3.4)	**(10.6)**	(17.1)
Non-current liabilities	**–**	–	**–**	–	**–**	–
Net assets/(liabilities) of JVs	**80.0**	79.6	**31.0**	26.3	**5.9**	117.1
Cash and cash equivalents included in the above net assets/(liabilities)	**11.4**	14.4	**3.5**	3.6	**13.2**	72.5
Group share of net assets/(liabilities) recognised in the Consolidated Balance Sheet at 30 June	**40.0**	39.8	**15.5**	13.2	**3.0**	58.5

A reconciliation of the Group's share of net assets to the carrying value of investments included in the Balance Sheet is presented below:

	Group	
	2020 £m	2019 £m
Group share of the net assets of its JVs	**70.2**	124.6
Group loans to JVs	**81.9**	64.4
At 30 June	**152.1**	189.0

The Group has made loans, net of loss allowances, of £81.9m (2019: £64.4m) to its JVs, which are presented with Group investments. The loss allowances for Group loans to JVs 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. At 30 June 2020 the loss allowance is immaterial (2019: immaterial).

Included within the Group's share of net assets of JVs is a proportion of the loans to the JVs (net of fair value adjustments made in one JV) calculated using the Group's ownership share of £75.1m (2019: £65.7m).

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 7.2.3. The Group and Company have a number of contingent liabilities relating to their JVs. Further details on these are provided in note 7.1.2.

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.

4.3 Investments in jointly controlled entities and associated entities CONTINUED

4.3.1 Joint ventures CONTINUED

Barratt Metropolitan LLP		Blackhorse Road Developments LLP		Brooklands Milton Keynes LLP		Other JVs		Group Total	
2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
4.2	52.9	**18.9**	–	**61.4**	82.6	**12.7**	106.8	**278.8**	480.8
(0.7)	(49.9)	**(15.2)**	–	**(41.7)**	(55.3)	**(10.8)**	(84.9)	**(222.6)**	(397.1)
–	–	**–**	–	**–**	–	**–**	(7.0)	**–**	(7.0)
–	–	**–**	–	**–**	–	**(1.3)**	(0.1)	**(1.8)**	(0.3)
3.5	3.0	**3.7**	–	**19.7**	27.3	**0.6**	14.8	**54.4**	76.4
–	–	**–**	–	**–**	–	**0.2**	(0.5)	**0.2**	(0.5)
3.5	3.0	**3.7**	–	**19.7**	27.3	**0.8**	14.3	**54.6**	75.9
2.7	2.2	**1.9**	–	**9.8**	13.7	**0.4**	7.6	**28.3**	39.2
–	12.8	**–**	–	**10.7**	14.8	**5.0**	19.7	**24.2**	60.3
98.4	72.9	**31.9**	–	**14.5**	31.8	**76.4**	110.0	**375.1**	493.6
–	–	**–**	–	**–**	–	**13.9**	13.7	**13.9**	13.7
(95.6)	(73.7)	**(5.2)**	–	**(14.3)**	(29.8)	**(54.7)**	(54.2)	**(206.8)**	(213.6)
–	–	**–**	–	**–**	–	**(43.2)**	(43.9)	**(43.2)**	(43.9)
2.8	(0.8)	**26.7**	–	**0.2**	2.0	**(7.6)**	25.6	**139.0**	249.8
0.5	2.2	**13.7**	–	**5.6**	14.1	**16.1**	32.1	**64.0**	138.9
2.1	(0.5)	**13.6**	–	**0.1**	1.0	**(4.1)**	12.6	**70.2**	124.6

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.

In relation to the Group's interests in associates, the Group's share of assets and liabilities of its associate at 30 June 2019 and 30 June 2020 is £nil. The Group's share of the associate's result during the year was £nil (2019: £nil).

The Group has made loans of £nil (2019: £nil) to its associate. Further details of transactions between the Group and its associate are provided in note 7.2.4.

The Group has no contingent liabilities relating to its associated entity.

Notes to the Financial Statements CONTINUED
Year ended 30 June 2020

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 (2019: none).

The Group has significant interests in the following jointly controlled operation:

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	
Group share:	2020 £m	2019 £m
Income	**12.2**	17.2
Expenses	**(11.1)**	(16.2)
Share of profit from joint operations	**1.1**	1.0
Current assets	**13.0**	11.0
Current liabilities	**(1.9)**	(1.0)
Share of net assets of joint operations	**11.1**	10.0

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 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	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
Additions	**-**	**7.5**	**7.5**	**-**	**4.9**	**4.9**
Disposals	**(0.8)**	**(3.3)**	**(4.1)**	**-**	**(2.1)**	**(2.1)**
At 30 June 2020	**5.5**	**47.9**	**53.4**	**0.2**	**25.0**	**25.2**
Depreciation						
At 1 July 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
Charge for the year	**0.3**	**5.2**	**5.5**	**-**	**2.7**	**2.7**
Disposals	**(0.8)**	**(2.9)**	**(3.7)**	**-**	**(1.7)**	**(1.7)**
At 30 June 2020	**2.8**	**31.6**	**34.4**	**0.2**	**15.5**	**15.7**
Net book value						
At 30 June 2019	3.0	14.4	17.4	–	7.7	7.7
At 30 June 2020	**2.7**	**16.3**	**19.0**	**-**	**9.5**	**9.5**

Authorised future capital expenditure that was contracted but not provided for in these Financial Statements amounted to £0.3m (2019: £1.3m).

Notes to the Financial Statements CONTINUED

Year ended 30 June 2020

5 Capital structure and financing

5.1 Net cash

Net cash is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and prepaid fees.

Net cash at 30 June is shown below:

	Notes	Group 2020 £m	Group 2019 re-presented[1] £m	Company 2020 £m	Company 2019 re-presented[1] £m
Cash and cash equivalents[1]	5.1.1	**619.8**	1,136.0	**424.0**	889.3
Drawn debt					
Borrowings:					
Sterling US private placement notes		**(200.0)**	(200.0)	**(200.0)**	(200.0)
Bank overdrafts[1]		**(117.7)**	(177.7)	**(111.0)**	(52.6)
Total borrowings being total drawn debt		**(317.7)**	(377.7)	**(311.0)**	(252.6)
Prepaid fees		**6.1**	7.4	**6.1**	7.4
Net cash		**308.2**	765.7	**119.1**	644.1
Total borrowings at 30 June are analysed as:					
Non-current borrowings		**(200.0)**	(200.0)	**(200.0)**	(200.0)
Current borrowings[1]		**(117.7)**	(177.7)	**(111.0)**	(52.6)
Total borrowings being total drawn debt[1]		**(317.7)**	(377.7)	**(311.0)**	(252.6)

1 The prior year balances for cash and cash equivalents and bank overdrafts have been re-presented in accordance with IAS 32 (see note 1.4). There is no impact on net cash.

Movement in net cash is analysed as follows:

	Group 2020 £m	Group 2019 re-presented[1] £m	Company 2020 £m	Company 2019 re-presented[1] £m
Net (decrease)/increase in cash and cash equivalents[1]	**(516.2)**	(40.2)	**(465.3)**	14.8
Repayment/(drawdown) of borrowings:				
Loan drawdowns	**–**	–	**(58.4)**	–
Loan repayments[1]	**60.0**	16.1	**–**	25.6
Other movements in borrowings:				
Movement in prepaid fees	**(1.3)**	(1.5)	**(1.3)**	(1.5)
Movement in net cash in the year	**(457.5)**	(25.6)	**(525.0)**	38.9
Opening net cash	**765.7**	791.3	**644.1**	605.2
Closing net cash	**308.2**	765.7	**119.1**	644.1

1 The prior year balances for cash and cash equivalents and bank overdrafts have been re-presented in accordance with IAS 32 (see note 1.4) and as a result the movements reported in the prior year have been amended.

Changes in liabilities arising from financing activities are shown below:

	Group Total borrowings £m	Group Lease liabilities £m	Group Total £m	Company Total borrowings £m	Company Lease liabilities £m	Company Total £m
Liabilities from financing activities at 1 July 2018[1]	(384.9)	–	(384.9)	(269.3)	–	(269.3)
Financing cash flows	16.1	–	16.1	25.6	–	25.6
Other movements	(8.9)	–	(8.9)	(8.9)	–	(8.9)
Liabilities arising from financing activities at 30 June 2019[1]	**(377.7)**	**–**	**(377.7)**	**(252.6)**	**–**	**(252.6)**
Liabilities recognised on transition to IFRS 16	–	(55.0)	(55.0)	–	(5.6)	(5.6)
Liabilities from financing activities at 1 July 2019	(377.7)	(55.0)	(432.7)	(252.6)	(5.6)	(258.2)
Financing cash flows	60.0	14.1	74.1	(58.4)	1.0	(57.4)
Other movements	–	(6.9)	(6.9)	–	(0.3)	(0.3)
Liabilities arising from financing activities at 30 June 2020	**(317.7)**	**(47.8)**	**(365.5)**	**(311.0)**	**(4.9)**	**(315.9)**

1 The prior year balances for cash and cash equivalents and bank overdrafts have been re-presented in accordance with IAS 32 (see note 1.4).

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 and LIBOR 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.

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 initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost, being the amount recorded at recognition plus accrued interest applied to the account less any repayments made.

All debt facilities at 30 June 2020 are unsecured.

The principal features of the Group's committed debt facilities at 30 June 2020 and 30 June 2019 were as follows:

		Amount drawn		
	Facility	**30 June 2020**	30 June 2019	**Maturity**
Committed facilities:				
RCF	£700.0m	**–**	–	22 November 2024[1]
Fixed rate sterling USPP notes	£200.0m	**£200.0m**	£200.0m	22 August 2027

1 On 22 November 2019 the Group's £700.0m RCF was amended and extended from November 2023 to November 2024.

In addition, on 28 April 2020 the Group received confirmation that it was eligible to access funding under the CCFF until March 2021 should that be required.

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. Publication of LIBOR is expected to cease before the end of 2021, after which floating interest rates currently linked to LIBOR will be transitioned to an appropriate alternative reference rate under the existing agreements.

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	**2020 £m**	2019 £m
Finance income			
Finance income on short term bank deposits		**(3.0)**	(2.8)
Finance income related to employee benefits	6.2.2	**(1.6)**	(2.0)
Other interest receivable		**(0.5)**	(2.3)
		(5.1)	(7.1)
Finance costs			
Interest on loans and borrowings		**9.5**	9.7
Imputed interest on deferred term payables		**19.9**	21.5
Finance charge on leased assets[1]		**2.0**	–
Amortisation of facility fees		**2.3**	2.8
Other interest payable		**1.3**	1.9
		35.0	35.9
Net finance costs		**29.9**	28.8

1 The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2020

5.2 Net finance costs CONTINUED

The weighted average interest rates (excluding fees) paid in the year were as follows:

	Group		Company	
	2020 %	2019 %	**2020 %**	2019 %
USPP notes	**2.8**	2.8	**2.8**	2.8

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 assets classified as 'fair value through profit and loss' are measured at fair value at the end of each reporting period. Gains and losses arising from changes in fair value are charged directly to the Income Statement to the extent that they are not part of a designated hedging relationship.

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 note 3.2. 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:

		Group				Company			
		2020		2019		2020		2019	
	Notes	**Fair value £m**	**Carrying value £m**	Fair value[2] £m	Carrying value[2] £m	**Fair value £m**	**Carrying value £m**	Fair value[2] £m	Carrying value[2] £m
Cash and cash equivalents[2]	5.1	**619.8**	**619.8**	1,136.0	1,136.0	**424.0**	**424.0**	889.3	889.3
Measured at amortised cost									
Trade and other receivables[1]		**56.0**	**56.0**	177.9	177.9	**0.5**	**0.5**	0.2	0.2
Intercompany receivables	3.2	**–**	**–**	–	–	**395.5**	**395.5**	76.3	76.3
Fair value through profit and loss									
Non-current secured loans	3.7	**1.0**	**1.0**	1.4	1.4	**–**	**–**	–	–
Current secured loans	3.7	**1.1**	**1.1**	1.2	1.2	**–**	**–**	–	–
Total financial assets[2]		**677.9**	**677.9**	1,316.5	1,316.5	**820.0**	**820.0**	965.8	965.8

[1] Excludes amounts recoverable on contracts, prepayments and accrued income, and tax and social security.

[2] The prior year balances for cash and cash equivalents and bank overdrafts have been re-presented in accordance with IAS 32 (see note 1.4).

5.3.2 Financial liabilities

The carrying values and fair values of the Group and Company financial liabilities are as follows:

		Group				Company			
		2020		2019		2020		2019	
	Notes	**Fair value £m**	**Carrying value £m**	Fair value[3] £m	Carrying value[3] £m	**Fair value £m**	**Carrying value £m**	Fair value[3] £m	Carrying value[3] £m
Measured at amortised cost									
Bank overdrafts[3]	5.1	**117.7**	**117.7**	177.7	177.7	**111.0**	**111.0**	52.6	52.6
Loans and borrowings	5.1	**184.5**	**200.0**	196.8	200.0	**184.5**	**200.0**	196.8	200.0
Trade and other payables[1]		**1,252.7**	**1,245.1**	1,628.7	1,631.1	**11.8**	**11.8**	13.5	13.5
Intercompany payables	3.3	**–**	**–**	–	–	**19.3**	**19.3**	334.3	334.3
Lease liabilities[2]	3.5	**47.8**	**47.8**	–	–	**4.8**	**4.8**	–	–
Total financial liabilities[3]		**1,602.7**	**1,610.6**	2,003.2	2,008.8	**331.4**	**346.9**	597.2	600.4

[1] Excludes deferred income, payments received in excess of amounts recoverable on contracts, tax and social security and other non-financial liabilities.

[2] The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

[3] The prior year balances for cash and cash equivalents and bank overdrafts have been re-presented in accordance with IAS 32 (see note 1.4).

The fair values of liabilities in the above table are measured in accordance with level 2 as defined in note 5.3.3 and have been determined using discounted cash flows.

Trade and other payables include items secured by legal charges as disclosed in note 3.3.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2020

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 assets 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:

									Group
	Notes	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**2020 Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	2019 Total £m
Secured loans									
Non-current secured loans	3.7	**–**	**–**	**1.0**	**1.0**	–	–	1.4	1.4
Current secured loans	3.7	**–**	**–**	**1.1**	**1.1**	–	–	1.2	1.2
		–	**–**	**2.1**	**2.1**	–	–	2.6	2.6

The Group had no derivative financial instruments at 30 June 2020 or 30 June 2019 and no financial liabilities were measured at fair value. 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 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	**2020 £m**	2019 £m
Financial assets measured at amortised cost			
Trade receivables – loss allowance charge	3.2	**5.8**	7.5
Recoveries of doubtful receivables	3.2	**(4.1)**	(5.0)
Fair value through profit and loss			
Net profit transferred on sale of secured loans		**(0.4)**	(1.2)

5.4 Financial risk management

The Group's approach to risk management and the principal operational risks of the business are detailed on pages 71 to 78. 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: liquidity risk, the availability of funding at reasonable margins, credit risk 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 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 Financial risk management CONTINUED

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. In response to the potential impact of COVID-19 on the Group's forecast cash flows, the Group applied for, and has received confirmation that it is eligible to access, funding under the CCFF until March 2021 should that be required. The Group's drawn debt, excluding fees, represented 35.3% (2019: 42.0% (re-presented – see note 1.4)) of available committed facilities at 30 June 2020. In addition, the Group had £619.8m (2019: £1,136.0m (re-presented – see note 1.4)) of cash and cash equivalents.

The Group was in compliance with its financial covenants at 30 June 2020. The Group's resilience to its principal risks, including potential impacts resulting from COVID-19, has been modelled together with possible mitigating actions, over a three-year period. At the date of approval of the Financial Statements, the Group's internal forecasts indicate that it will be able to operate within its current facilities and 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 2020, the average maturity of the Group's committed facilities was 5.0 years (2019: 5.2 years).

The Group maintains certain committed floating rate facilities with banks to ensure sufficient liquidity for its operations. The undrawn committed facilities available to the Group, in respect of which all conditions precedent had been met, were as follows:

	Group		Company	
Expiry date	**2020 £m**	2019 £m	**2020 £m**	2019 £m
In more than two years but not more than five years	**700.0**	700.0	**700.0**	700.0

On 28 April 2020 the Group received confirmation that it was eligible to access funding under the CCFF until March 2021 should that be required.

In addition, the Group had undrawn uncommitted overdraft facilities available at 30 June 2020 of £55.0m (2019: £95.0m).

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 £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
2020							
Loans and borrowings (including bank overdrafts)[1]	5.3.2	**317.7**	**239.6**	**5.5**	**5.5**	**16.6**	**212.0**
Trade and other payables[2]	5.3.2	**1,245.1**	**1,276.7**	**953.4**	**171.0**	**136.6**	**15.7**
Lease liabilities[3]	3.5	**47.8**	**56.7**	**13.2**	**10.4**	**17.9**	**15.2**
		1,610.6	**1,573.0**	**972.1**	**186.9**	**171.1**	**242.9**
2019							
Loans and borrowings (including bank overdrafts)[4]	5.3.2	377.7	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
		2,008.8	1,975.7	1,268.7	268.4	215.7	222.9

1 The Group is party to banking agreements that include a legal right of offset which enables the overdraft balances of £117.7m to be settled net with cash balances. These balances have been excluded from contractual cash flows.

2 Excludes deferred income, payments received in excess of amounts recoverable on contracts, tax and social security and other non-financial liabilities.

3 The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

4 The presentation of prior year balances for bank overdrafts has been adjusted to meet the requirements for offsetting in accordance with IAS 32. Further details are in note 1.4.

The Group had no derivative financial instruments at 30 June 2020 or 30 June 2019.

Notes to the Financial Statements CONTINUED
Year ended 30 June 2020

5.4 Financial risk management CONTINUED
5.4.1 Liquidity risk CONTINUED

Company	Notes	Carrying amount £m	Contractual cash flow £m	Less than 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m
2020							
Loans and borrowings (including bank overdrafts)	5.3.2	**311.0**	**350.6**	**116.5**	**5.5**	**16.6**	**212.0**
Trade and other payables[1]	5.3.2	**11.8**	**11.8**	**11.8**	**–**	**–**	**–**
Intercompany payables	5.3.2	**19.3**	**19.3**	**19.3**	**–**	**–**	**–**
Lease liabilities[2]	3.5	**4.8**	**5.0**	**0.9**	**0.8**	**2.1**	**1.2**
		346.9	**386.7**	**148.5**	**6.3**	**18.7**	**213.2**
2019							
Loans and borrowings (including bank overdrafts)[3]	5.3.2	252.6	357.0	69.5	19.5	50.5	217.5
Trade and other payables[1]	5.3.2	13.5	13.5	13.5	–	–	–
Intercompany payables	5.3.2	334.3	334.3	334.3	–	–	–
		600.4	704.8	417.3	19.5	50.5	217.5

1 Excludes tax and social security and other non-financial liabilities.

2 The Company has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

3 The prior year balances for cash and cash equivalents and bank overdrafts have been re-presented in accordance with IAS 32 (see note 1.4).

The Company had no derivative financial instruments at 30 June 2020 or 30 June 2019.

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.

Due to the level of the Group's interest cover ratio and in accordance with the Group's policy to hedge a proportion of the forecast RCF drawings based on the Group's three-year plan, 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
2020				
Financial liability exposure to interest rate risk	**–**	**200.0**	**1,410.6**	**1,610.6**
2019				
Financial liability exposure to interest rate risk[1]	–	200.0	1,808.8	2,008.8

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
2020				
Financial liability exposure to interest rate risk	**130.0**	**200.0**	**16.9**	**346.9**
2019				
Financial liability exposure to interest rate risk[1]	384.2	200.0	16.2	600.4

1 The prior year balances for cash and cash equivalents and bank overdrafts have been re-presented in accordance with IAS 32 (see note 1.4).

5.4 Financial risk management CONTINUED

5.4.2 Market risk (price risk) CONTINUED

Interest rate risk CONTINUED

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 Group retained a strong cash position throughout the year and therefore the use of floating rate facilities was minimal. The weighted average interest rate for floating rate borrowings in 2020 was 1.7% (2019: 2.0%).

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 2020, 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 £2.6m (2019: £2.2m), the Group's post-tax profit would increase/decrease by £2.1m (2019: £1.8m) and as such the Group's equity would increase/decrease by £2.1m (2019: £1.8m).

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 £12.0m (2019: £77.6m) 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 £619.8m (2019: £1,136.0m (re-presented, see note 1.4) on deposit with seven financial institutions. As a result of the pension scheme buy-in (note 6.2) the Group and the Company are exposed to credit risk associated with the insurer which is assessed to be low. Other than this, neither the Group nor the Company has a significant concentration of credit risk, as their exposure is spread over a large number of counterparties and customers.

The Group manages credit risk through its credit policy This limits its exposure to financial institutions with high credit ratings, as set by international credit rating agencies, and determines the maximum permissible exposure to any single counterparty.

The maximum exposure to any counterparty at 30 June 2020 was £100.7m (2019: £158.3m) 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 2020, the Company was exposed to £389.4m (2019: £76.3m) of credit risk in relation to intercompany loans. which are considered to be of low credit risk and fully recoverable, as well as financial guarantees, performance bonds and the bank borrowings of subsidiary undertakings. Further details are provided in notes 7.1 and 7.2.

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 the impact of COVID-19, 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, including its mitigating actions in response to COVID-19 are detailed on pages 71 to 78.

Following the lockdown introduced by the UK Government in response to COVID-19, in order to manage its cash flows and capital structure, the Group cancelled payment of the 2020 interim dividend and no final dividend or special cash payments will be made in respect of the year ended 30 June 2020. The Group also temporarily suspended land buying activity and carefully managed its operational cash flows. In addition, on 28 April 2020 the Group received confirmation that it was eligible to access funding under the CCFF until March 2021 should that be required.

Other methods by which the Group can manage its short term and long term capital structure include: further 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.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2020

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

Allotted and issued ordinary shares	2020 £m	2019 £m
10p each fully paid: 1,018,302,400 (2019: 1,016,985,862) ordinary shares	**101.8**	101.7

Options over the Company's shares granted during the year	2020 Number	2019 Number
LTPP	**2,629,027**	2,940,565
Sharesave	**3,142,874**	1,673,444
DBP	**583,505**	644,386
ELTIP	**1,254,200**	1,221,120
	7,609,606	6,479,515

Allotment of shares during the year	2020 Number	2019 Number
At 1 July	**1,016,985,862**	1,012,722,682
Issued to satisfy early exercises under Sharesave schemes	**39,215**	39,090
Issued to satisfy exercises under matured Sharesave schemes	**1,277,323**	1,524,090
Issued to the EBT to satisfy future exercises	**–**	2,700,000
At 30 June	**1,018,302,400**	1,016,985,862

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 on behalf of the Company in order to satisfy options and awards that have been granted by the Company.

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.

	2020	2019
Ordinary shares in the Company held in the EBT (number)	**4,708,806**	6,172,255
Cost of shares held in the EBT	**£20.1m**	£15.1m
Market value of shares held in the EBT at 495.9p (2019: 572.6p) per share	**£23.4m**	£35.3m

During the year the EBT purchased 1,174,900 (2019: 4,000,000) shares in the market and disposed of 111,851 (2019: 58,801) shares in settlement of exercises under the SMSOP 2009/10; and 2,526,498 (2019: 1,400,549) shares were used to satisfy the vesting of the 2016 LTPP and the 2016 DBP. No shares (2019: 2,700,000 shares) were issued to the EBT at par.

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 123 to 151.

A summary of key management remuneration is as follows:

	2020 £m	2019 £m
Salaries and fees (including pension compensation)	**2.8**	2.8
Social security costs[1]	**1.2**	0.9
Performance bonus	**–**	2.6
Benefits	**0.1**	0.1
Share-based payments[2]	**0.4**	2.1
	4.5	8.5

[1] Excluded from the Executive Directors' and Non-Executive Directors' single figure of remuneration tables on pages 142 and 143.

[2] IFRS 2 'Share-Based Payment' charge attributable to key management.

Total employee numbers and costs are as follows:

	Group		**Company**	
	2020 Number	2019 Number	**2020 Number**	2019 Number
Average employee numbers (excluding sub-contractors, including Directors)	**6,632**	6,419	**370**	353

The majority of the costs of the Company's employees are charged to other Group companies.

		Group		**Company**	
	Notes	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Employee costs (including Directors):					
Wages and salaries including bonuses		**318.8**	357.4	**27.4**	36.5
Redundancy costs		**1.0**	1.3	**0.2**	0.2
Social security costs		**34.5**	41.1	**3.3**	5.2
Other pension costs	6.2	**13.6**	13.2	**1.3**	2.7
Share-based payments	6.3	**6.8**	14.1	**1.4**	6.3
Employee costs before grant income	2.3	**374.7**	427.1	**33.6**	50.9
Less CJRS grant income	2.3.3	**(26.0)**	–	**(0.6)**	–
Employee costs for the year		**348.7**	427.1	**33.0**	50.9

Notes to the Financial Statements CONTINUED
Year ended 30 June 2020

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 asset recognised in the Balance Sheet represents the excess of the fair value of the scheme assets over the present value of the defined benefit obligation.

The Directors engage a qualified independent actuary to calculate the Group's liability in respect of its defined benefit pension scheme. In calculating this liability, it is necessary for actuarial assumptions to be made, which include estimations of discount rates, salary and pension increases, price inflation and mortality. As actual rates of increase and mortality may differ from those assumed, the gross pension liability may differ from that included in these Financial Statements; however, in the current year, these liabilities are matched by an insurance asset.

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.

	2020 £m	2019 £m
Contributions during the year		
Group defined contribution schemes' Consolidated Income Statement charge	**13.6**	11.5

At the balance sheet date, there were outstanding contributions of £2.0m (2019: £2.0m), 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 Group continues to meet the Scheme's administration expenses and Pension Protection Fund levy.

On 16 June 2020, the Trustees entered into a bulk annuity insurance contract with an insurer in respect of the liabilities of the defined benefit scheme. This type of deal is also known as a 'buy-in'. The insurer will pay into the Scheme cash matching the benefits due to members. The Trustees are of the opinion that this investment decision is appropriate, reduces the risks in the Scheme and provides additional security for the benefits due to members of the Scheme. The Trustees retain the legal obligation for the benefits provided under the Scheme.

As the buy-in policy is a qualifying insurance asset, the fair value of the insurance policy is deemed to be the present value of the obligations that have been insured. The policy secured exactly matches the benefits due to Scheme members under the Scheme's Trust Deed and Rules, and the asset has therefore been set equal to the liabilities covered. An additional liability has been recognised in respect of GMP equalisation, where a small premium will be paid to the insurer once the process of equalisation has been completed.

The buy-in has resulted in a re-measurement of the Scheme's assets, with a re-measurement loss of £69.2m recognised in the Group and Company Statement of Comprehensive Income.

6.2 Retirement benefit obligations CONTINUED

6.2.2 Defined benefit scheme CONTINUED

The Scheme previously exposed the Group to a number of risks. As a result of the buy-in these risks have been reduced and at the balance sheet date the principal risk is the credit risk associated with the insurer which is assessed to be low.

For the purposes of calculating the accounting costs and obligations of the Scheme, the assets of the Scheme were previously calculated at fair (bid) value. In the current year they are assumed to match the value of the obligations insured. The liabilities of the Scheme have been calculated at each balance sheet date using the following assumptions:

Principal actuarial assumptions	2020	2019
Weighted average assumptions to determine benefit obligations		
Discount rate	**1.58%**	2.31%
Pensions-in-payment increase rate	**2.94%**	3.17%
Rate of price inflation	**3.08%**	3.38%
Weighted average assumptions to determine net cost		
Discount rate	**2.31%**	2.91%
Pensions-in-payment increase rate	**3.17%**	3.08%
Rate of price inflation	**3.38%**	3.30%

Members are assumed to exchange 19% of their pension for cash on retirement. The assumptions have been chosen by the Group following advice from Mercer Limited, the Group's actuarial advisers.

The following table illustrates the life expectancy for an average member on reaching age 65, according to the mortality assumptions used to calculate the Scheme liabilities:

Assumptions	Male	Female
Retired member born in 1955 (life expectancy at age 65)	22.7 years	24.3 years
Non-retired member born in 1975 (life expectancy at age 65)	23.9 years	25.5 years

The base mortality assumptions are based on the SAPS SP3MA/S2PFA_M (2019: 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 2019 projections with a long term trend of 1.25% per annum (2019: CMI 2018 projections with a long term trend of 1.25% per annum).

The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out below:

Assumptions	Change in assumption	Increase/ (decrease) in Scheme liabilities £m	Increase/ (decrease) in Scheme liabilities %
Discount rate:	Increase of 0.25%	(19.2)	(4.5)
	Increase of 0.50%	(37.2)	(8.7)
Rate of inflation:	Increase of 0.25%	9.3	2.2
	Increase of 0.50%	19.0	4.5
Life expectancy:	Increase by 1 year	20.7	4.9

The changes in the actuarial assumptions used in the calculation of sensitivities were selected on the basis that they provide a range of reasonably possible changes.

Financial Statements

Notes to the Financial Statements CONTINUED
Year ended 30 June 2020

6.2 Retirement benefit obligations CONTINUED

6.2.2 Defined benefit scheme CONTINUED
The amounts recognised in the Consolidated Income Statement were as follows:

	Notes	**2020 £m**	2019 £m
Past service cost		**–**	(1.7)
Interest cost		**(8.9)**	(10.1)
Interest income		**10.5**	12.1
Total pension income recognised in net finance costs in the Consolidated Income Statement	5.2	**1.6**	2.0
Total pension income recognised in the Consolidated Income Statement		**1.6**	0.3

The amounts recognised in the Group and Company Statements of Comprehensive Income were as follows:

	2020 £m	2019 £m
Expected return less actual return on Scheme assets	**(29.6)**	28.8
Loss arising from changes in the assumptions underlying the present value of benefit obligations	**(39.6)**	(44.2)
Total pension re-measurements recognised in the Group and Company Statements of Comprehensive Income	**(69.2)**	(15.4)

The amount included in the Group and Company Balance Sheets arising from obligations in respect of the Scheme is as follows:

	2020 £m	2019 £m
Net asset for defined benefit obligations at 1 July	**62.6**	58.7
Contributions paid to the Scheme	**8.5**	19.0
Income recognised in the Consolidated Income Statement	**1.6**	0.3
Amounts recognised in the Statement of Comprehensive Income	**(69.2)**	(15.4)
Surplus for funded Scheme/net asset recognised in the Group and Company Balance Sheets at 30 June	**3.5**	62.6
Analysed as:		
Present value of funded obligations	**(425.8)**	(393.9)
Fair value of Scheme assets	**429.3**	456.5

A deferred tax liability of £0.7m (2019: £11.6m) has been recognised in the Group and Company Balance Sheets in relation to the pension asset (note 2.6.3).

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:

	2020 £m	2019 £m
Present value of defined benefit obligations at 1 July	**393.9**	357.3
Past service cost	**–**	1.7
Interest cost	**8.9**	10.1
Actuarial loss	**39.6**	44.2
Benefits paid from Scheme	**(16.6)**	(19.4)
Present value of defined benefit obligations at 30 June	**425.8**	393.9

The maturity profile of these obligations at 30 June 2020 was as follows:

Expected total benefit payments:	**2020 £m**
Within one year	**17.2**
Between one and two years	**17.8**
Between two and five years	**57.2**
Between five and ten years	**109.6**

Movements in the fair value of Scheme assets were as follows:

	2020 £m	2019 £m
Fair value of Scheme assets at 1 July	**456.5**	416.0
Interest income	**10.5**	12.1
Actuarial (loss)/gain on Scheme assets	**(29.6)**	28.8
Employer contributions	**8.5**	19.0
Benefits paid from Scheme	**(16.6)**	(19.4)
Fair value of Scheme assets at 30 June	**429.3**	456.5

The analysis of Scheme assets was as follows:

	2020		2019	
	£m	**%**	£m	%
Quoted equity securities	**–**	**–**	67.4	14.8
Debt securities	**–**	**–**	380.7	83.4
Assets held by insurance company	**425.8**	**99.2**	–	–
Cash	**3.5**	**0.8**	8.4	1.8
Total	**429.3**	**100.0**	456.5	100.0

The fair values of the Scheme assets in the above table are measured in accordance with Level 2 as defined in note 5.3.3.

The actual return on Scheme assets was as follows:

	2020 £m	2019 £m
Actual return on Scheme assets	**(19.1)**	40.9

The expected employer contribution to the Scheme in the year ending 30 June 2021 is £nil.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2020

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/(credit):

	2020 £m	2019 £m
Equity-settled share-based payments:		
LTPP	**(3.1)**	4.1
Sharesave	**2.0**	1.6
SMIS	**(0.2)**	3.7
DBP	**3.5**	2.9
ELTIP	**4.6**	1.8
	6.8	14.1

As at 30 June 2020, an accrual of £2.3m (2019: £4.7m) was recognised in respect of social security liabilities on share-based payments.

6.3.1 Share-based payments reserve

The share-based payments reserve represents the obligation of the Group in relation to equity-settled share-based payment transactions. Details of movements in the share-based payments reserve are shown on the Statement of Changes in Shareholders' Equity.

6.3 Share-based payments CONTINUED

6.3.2 Outstanding equity-settled share-based payments

At 30 June 2019, the following options were outstanding:

Date of grant	Option price pence	2020 number	Not exercisable after
Sharesave			
29 April 2015 – 5-year plan	447	**145,268**	31 December 2020
27 April 2016 – 5-year plan	482	**85,610**	31 December 2021
24 April 2017 – 3-year plan	464	**1,631,118**	31 December 2020
24 April 2017 – 5-year plan	464	**196,288**	31 December 2022
20 April 2018 – 3-year plan	449	**1,890,848**	31 December 2021
20 April 2018 – 5-year plan	449	**201,314**	31 December 2023
9 April 2019 – 3-year plan	519	**1,276,741**	31 December 2022
9 April 2019 – 5-year plan	519	**161,246**	31 December 2024
7 April 2020 – 3-year plan	456	**2,634,371**	31 December 2023
7 April 2020 – 5-year plan	456	**483,761**	31 December 2025
Total Sharesave options		**8,706,565**	
LTPP			
24 November 2017 – Executive	–	**1,233,928**	–
22 October 2018 – Executive	–	**1,536,033**	–
24 October 2019 – Executive	–	**1,317,308**	–
22 October 2018 – Senior Management	–	**1,181,785**	–
24 October 2019 – Senior Management	–	**1,185,290**	–
Total LTPP awards		**6,454,344**	
DBP			
17 October 2017	–	**524,853**	–
22 October 2018	–	**629,796**	–
24 October 2019	–	**569,142**	–
Total DBP awards		**1,723,791**	
ELTIP			
20 July 2018 – 60th Anniversary Award	–	**913,063**	–
15 July 2019 – HBF 5 Star Award	–	**1,133,948**	–
Total ELTIP awards		**2,047,011**	
Total		**18,931,711**	

Notes to the Financial Statements CONTINUED

Year ended 30 June 2020

6.3 Share-based payments CONTINUED

6.3.3 Further information relating to the share-based payment schemes

LTPP

The grant of awards under the LTPP is at the discretion of the Remuneration Committee taking into account individual performance and overall performance of the Group. Vesting under this schemes is dependent upon performance conditions including TSR, EPS and ROCE. Further details can be found in the Remuneration report on pages 145 and 146.

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 144.

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. There is currently no intention to make any further grants under the SMSOP.

ELTIP

The Board approved the HBF 5 Star Award in July 2019 and the 60th Anniversary Award in July 2018 under the ELTIP. The Awards were made to all eligible employees employed as at 15 July 2019 and 19 July 2018 respectively. Participants were entitled to receive shares in the Company when the 60th Anniversary Award vested on 1 July 2020, and participants of the HBF 5 Star Award will be entitled to receive shares in the Company when the Award vests on 15 July 2021. Senior Management are not eligible to participate in the ELTIP. The Awards are 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:

		2020		2019
LTPP	**Weighted average exercise price in pence**	**Number of award units**	Weighted average exercise price in pence	Number of award units
Outstanding at 1 July	**–**	**7,110,634**	–	5,889,141
Forfeited during the year	**–**	**(1,222,060)**	–	(522,298)
Exercised during the year	**–**	**(2,063,257)**	–	(1,196,774)
Granted during the year	**–**	**2,629,027**	–	2,940,565
Outstanding at 30 June	**–**	**6,454,344**	–	7,110,634
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

SMSOP	2020 Weighted average exercise price in pence	2020 Number of award units	2019 Weighted average exercise price in pence	2019 Number of award units
Outstanding at 1 July	**120**	**111,851**	119	163,685
Exercised during the year	**120**	**(111,851)**	118	(51,834)
Outstanding at 30 June	**–**	**–**	120	111,851
Exercisable at 30 June	**–**	**–**	120	111,851

Sharesave	2020 Weighted average exercise price in pence	2020 Number of award units	2019 Weighted average exercise price in pence	2019 Number of award units
Outstanding at 1 July	**470**	**7,545,862**	452	8,320,222
Forfeited during the year	**477**	**(665,633)**	459	(884,624)
Exercised during the year	**454**	**(1,316,538)**	437	(1,563,180)
Granted during the year	**456**	**3,142,874**	519	1,673,444
Outstanding at 30 June	**467**	**8,706,565**	470	7,545,862
Exercisable at 30 June	**–**	**–**	–	–

DBP	2020 Weighted average exercise price in pence	2020 Number of award units	2019 Weighted average exercise price in pence	2019 Number of award units
Outstanding at 1 July	**–**	**1,639,741**	–	1,206,915
Forfeited during the year	**–**	**(36,214)**	–	–
Exercised during the year	**–**	**(463,241)**	–	(211,560)
Granted during the year	**–**	**583,505**	–	644,386
Outstanding at 30 June	**–**	**1,723,791**	–	1,639,741
Exercisable at 30 June	**–**	**–**	–	–

ELTIP	2020 Weighted average exercise price in pence	2020 Number of award units	2019 Weighted average exercise price in pence	2019 Number of award units
Outstanding at 1 July	**–**	**1,024,259**	–	–
Forfeited during the year	**–**	**(231,448)**	–	(196,861)
Granted during the year	**–**	**1,254,200**	–	1,221,120
Outstanding at 30 June	**–**	**2,047,011**	–	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 637.9p (2019: 499.0p). The weighted average life for all schemes outstanding at the end of the year was 1.8 years (2019: 1.7 years).

Notes to the Financial Statements CONTINUED

Year ended 30 June 2020

6.3 Share-based payments CONTINUED

6.3.5 Fair value of options and awards granted in the year

	Weighted average fair value of options granted		
	Valuation model	2020 pence	2019 pence
Sharesave	Black–Scholes model	**73.5**	86.9
LTPP	Black–Scholes model	**645.0**	495.0
DBP	Black–Scholes model	**645.0**	495.0
ELTIP	Black–Scholes model	**536.0**	453.0

Inputs used to determine fair value of options

The weighted average inputs to the Black–Scholes models were as follows:

				Grants 2020				Grants 2019
	ELTIP	Sharesave	LTPP	DBP	ELTIP	Sharesave	LTPP	DBP
Average share price	**625p**	**471p**	**646p**	**646p**	532p	605p	496p	496p
Average exercise price	**–**	**456p**	**–**	**–**	–	519p	–	–
Expected volatility	**29.1%**	**26.8%**	**24.6%**	**24.6%**	29.1%	29.1%	29.1%	29.1%
Expected life	**2.0 years**	**3.3 years**	**3.0 years**	**3.0 years**	2.0 years	3.2 years	3.0 years	3.0 years
Risk free interest rate	**0.54%**	**0.16%**	**0.41%**	**0.41%**	0.77%	0.73%	0.80%	0.80%
Expected dividends	**7.51%**	**2.71%**	**–**	**–**	7.93%	7.40%	–	–

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 Contingencies, related parties, post balance sheet events and subsidiaries

7.1 Contingent liabilities

7.1.1 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 £399.1m (2019: £444.8m), and confirm that at the date of these Financial Statements the possibility of cash outflow is considered minimal and no provision is required.

Cladding
As disclosed in note 3.6, 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 at the time of completion.

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 may change as building works progress. In addition, further changes to Building Regulations and Fire Safety Regulations are currently in the consultation phase and revised requirements may alter the current position.

Structural issues
As disclosed in note 3.6, following the issues identified at Citiscape, the Group is conducting a review of developments where reinforced concrete frames have been designed by either the same original engineering firm which designed Citiscape, or by other companies within the group of companies which has since acquired it. The Financial Statements have been prepared based on currently available information, however, the detailed review is ongoing and therefore the extent and cost of any remedial work may change as this work progresses.

While in most cases we have no legal liability, in line with our commitment to put our customers first we will ensure that no costs associated with remedial works are borne by leaseholders. We are actively seeking to recover costs from third parties, however there is no certainty regarding the extent of any financial recovery.

7.1.2 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 £10.4m at 30 June 2020 (2019: £12.5m).

At 30 June 2020, the Group no longer has an obligation to repay grant monies received by a JV upon certain future disposals of land (2019: £0.9m).

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. These guarantees have been reviewed in the light of COVID-19, and at 30 June 2020 the probability of any loss to the Group resulting from these guarantees is considered to be remote.

There are no contingent liabilities in relation to associates at 30 June 2020 or 30 June 2019.

Notes to the Financial Statements CONTINUED

Year ended 30 June 2020

7.1 Contingent liabilities CONTINUED

7.1.3 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.

7.2 Related party transactions

7.2.1 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 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 2020.

7.2.2 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	
	2020 £m	2019 £m
Transactions between the Company and its subsidiaries during the year:		
Charges in respect of management and other services provided to subsidiaries	**67.2**	82.7
Net interest paid by the Company on net loans from subsidiaries	**5.0**	4.1
Dividends received from subsidiary undertakings	**519.3**	593.6
Balances at 30 June:		
Amounts due by the Company to subsidiary undertakings	**19.3**	334.3
Amounts due to the Company from subsidiary undertakings	**395.5**	76.3

The Company and its subsidiaries have entered into counter-indemnities in the normal course of business in respect of performance bonds.

7.2.3 Transactions between the Group and its JVs

The Group has entered into transactions with its JVs as follows:

	Group	
	2020 £m	2019 £m
Transactions between the Group and its JVs during the year:		
Charges in respect of development management and other services provided to JVs	**5.6**	8.4
Interest charges in respect of funding provided to JVs	**0.5**	2.2
Dividends received from JVs	**24.2**	60.3
Balances at 30 June:		
Funding loans and interest due from JVs net of impairment	**81.9**	64.4
Other amounts due from JVs	**15.7**	19.8
Loans and other amounts due to JVs	**(0.9)**	(1.8)

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 7.1.2.

7.2.4 Transactions between the Group and its associate

The amount of outstanding loans due to the Group from its associate at 30 June 2020 was £nil (2019: £nil). There were no other amounts outstanding between the Group and its associate as at 30 June 2020.

7.3 Post balance sheet events

Structural issues

As disclosed in note 3.6, following the issues identified at Citiscape, the Group is conducting a review of developments where reinforced concrete frames have been designed by either the same original engineering firm which designed Citiscape, or by other companies within the group of companies which has since acquired it.

The detailed reviews of these developments is ongoing. We apologise unreservedly to affected customers that the standards that we set for ourselves and our partners were not met at these developments. While in most cases we have no legal liability, in line with our commitment to put our customers first we will ensure that no costs associated with these remedial works are borne by leaseholders. After the year end, the Group has committed to undertake remedial work at additional developments.

Based on our current assessments, it is estimated that the total future costs, in addition to those costs recognised in FY20 and prior, will be £48.0m. This is for the required remedial programme at Citiscape, the review itself, and any remediation required at other buildings. We are actively seeking to recover costs from third parties, however there is no certainty regarding the extent of any financial recovery. No adjustments have been made to these Financial Statements in respect of these costs.

Coronavirus Job Retention Scheme

During the year the Group utilised the Government's CJRS. The Group recognised £26.0m of funding under this scheme in the Income Statement in the financial year. The furlough scheme provided welcome and timely support but on 6 July 2020 the Group announced that because of the resilience of the Group's financial position it would return all the furlough funds received. These funds were returned in August 2020. Given the timing of the decision to repay the CJRS, there was no liability recognised at 30 June and the costs will be recognised and treated as an Adjusted item in the year ending 30 June 2021.

7.4 Group subsidiary undertakings

The entities listed below, and on the following pages, are subsidiaries of the Company or Group. All are registered in England and Wales or Scotland with the exception of SQ Holdings Limited which is registered in Guernsey. Unless otherwise stated, the results of these entities are consolidated within these Financial Statements.

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Acre Developments Limited	2	A	Ordinary	100%
Advance Housing Limited	1	A	Ordinary	100%
Ambrose Builders Limited	1	A	Ordinary	100%
Barratt Bristol Limited	1		Ordinary	100%
Barratt Central Limited	1		Ordinary	100%
Barratt Chester Limited	1	A	Ordinary	100%
Barratt Commercial Limited	1		Ordinary	100%
Barratt Construction (Southern) Limited	1	A	Ordinary	100%
Barratt Corporate Secretarial Services Limited	1		Ordinary	100%
Barratt Developments (International) Limited	1		Ordinary	100%
Barratt Dormant (Atlantic Quay) Limited	1	A	Ordinary	100%
Barratt Dormant (Blackpool) Limited	1	A	Ordinary	100%
Barratt Dormant (Capella) Limited	1	A	Ordinary	100%
Barratt Dormant (Cheadle Hulme) Limited	1	A	Ordinary	100%
Barratt Dormant (Harlow) Limited	1	A	Ordinary	100%
Barratt Dormant (Riverside Exchange Sheffield C2) Limited	1	A	Ordinary	100%
Barratt Dormant (Riverside Exchange Sheffield L/M) Limited	1	A	Ordinary	100%
Barratt Dormant (Riverside Quarter) Limited	1	A	Ordinary	100%
Barratt Dormant (Riverside Sheffield Building C1) Limited	1	A	Ordinary	100%
Barratt Dormant (Rugby) Limited	1	A	Ordinary	100%
Barratt Dormant (Southampton) Limited	1	A	Ordinary	100%
Barratt Dormant (Thetford) Limited	1	A	Ordinary	100%
Barratt Dormant (Tyers Bros. Oakham) Limited	1	A	Ordinary	100%
Barratt Dormant (Walton) Limited	1	A	Ordinary	100%
Barratt Dormant (WB Construction) Limited	1	A	Ordinary	100%
Barratt Dormant (WB Developments) Limited	1	A	Ordinary	100%
Barratt Dormant (WB Properties Developments) Limited	1	A	Ordinary	100%
Barratt Dormant (WB Properties Northern) Limited	1	A	Ordinary	100%
Barratt East Anglia Limited	1	A	Ordinary	100%
Barratt East Midlands Limited	1		Ordinary	100%
Barratt East Scotland Limited	52	A	Ordinary	100%
Barratt Eastern Counties Limited	1	A	Ordinary	100%
Barratt Edinburgh Limited	2	A	Ordinary	100%
Barratt Evolution Limited	1	A	Ordinary	100%
Barratt Falkirk Limited	2	A	Ordinary	100%
Barratt Leeds Limited	1		Ordinary	100%
Barratt London Limited	1		Ordinary	100%
Barratt Manchester Limited	1	A	Ordinary	100%
Barratt Newcastle Limited	1	A	Ordinary	100%
Barratt North London Limited	1		Ordinary	100%
Barratt Northampton Limited	1		Ordinary	100%
Barratt Northern Limited	1		Ordinary	100%
Barratt Norwich Limited	1	A	Ordinary	100%
Barratt Pension Trustee Limited	1		Ordinary	100%
Barratt Poppleton Limited	1	A	Ordinary	100%
Barratt Preston Limited	1	A	Ordinary	100%

Notes to the Financial Statements CONTINUED

Year ended 30 June 2020

7.4 Group subsidiary undertakings CONTINUED

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Barratt Properties Limited	1	A	Ordinary	100%
Barratt Scottish Holdings Limited	2	A	Ordinary	100%
Barratt South London Limited	1		Ordinary	100%
Barratt South Wales Limited	1		Ordinary	100%
Barratt South West Limited	1	A	Ordinary	100%
Barratt Southern Counties Limited	1		Ordinary	100%
Barratt Southern Limited	1		Ordinary	100%
Barratt Southern Properties Limited	1	A	Ordinary	100%
Barratt Special Projects Limited	1	A	Ordinary	100%
Barratt St Mary's Limited	1	A	Ordinary	100%
Barratt St Paul's Limited	1	A	Ordinary	100%
Barratt Sutton Coldfield Limited	1	A	Ordinary	100%
Barratt Trade And Property Company Limited	2	A	Ordinary	100%
Barratt Urban Construction (East London) Limited	1	A	Ordinary	100%
Barratt Urban Construction (Northern) Limited	1	A	Ordinary	100%
Barratt Urban Construction (Scotland) Limited	2	A	Ordinary	100%
Barratt West Midlands Limited	1		Ordinary	100%
Barratt West Scotland Limited	2		Ordinary	100%
Barratt Woking Limited	1	A	Ordinary	100%
Barratt York Limited	1		Ordinary	100%
Bart 225 Limited	1	A	Ordinary	100%
Base East Central Rochdale LLP	1	A	N/A	N/A
Base Hattersley LLP	1	A	N/A	N/A
Base Regeneration LLP	1	A	N/A	N/A
Base Werneth Oldham LLP	1	A	N/A	N/A
Basildon Regeneration (Barratt Wilson Bowden) Limited	1	A	Ordinary	100%
BDW (F.R.) Limited	1	A	Ordinary	100%
BDW (F.R. Commercial) Limited	1	A	Ordinary	100%
BDW North Scotland Limited	51		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%
C V (Ward) Limited	1	A	Ordinary	100%
Cameoplot Limited	1	A	Ordinary	100%
CHOQS 429 Limited	1	A	Ordinary	100%
Crossbourne Construction Limited	1	A	Ordinary	100%
David Wilson Estates Limited	1	A	Ordinary	100%
David Wilson Homes (Anglia) Limited	1	A	Ordinary	100%
David Wilson Homes (East Midlands) Limited	1	A	Ordinary	100%
David Wilson Homes (Home Counties) Limited	1	A	Ordinary	100%
David Wilson Homes (North Midlands) Limited	1	A	Ordinary	100%
David Wilson Homes (Northern) Limited	1	A	Ordinary	100%
David Wilson Homes (South Midlands) Limited	1	A	Ordinary	100%
David Wilson Homes (Southern) Limited	1	A	Ordinary	100%
David Wilson Homes (Western) Limited	1	A	Ordinary	100%

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
David Wilson Homes Land (No 9) Limited	1	A	Ordinary	100%
David Wilson Homes Land (No 10) Limited	1	A	Ordinary	100%
David Wilson Homes Land (No 11) Limited	1	A	Ordinary	100%
David Wilson Homes Land (No 12) Limited	1	A	Ordinary	100%
David Wilson Homes Land (No 13) Limited	1	A	Ordinary	100%
David Wilson Homes Land (No 14) Limited	1	A	Ordinary	100%
David Wilson Homes Land (No 15) Limited	1	A	Ordinary	100%
David Wilson Homes Limited	1	A	Ordinary	100%
David Wilson Homes Services Limited	1	A	Ordinary	100%
David Wilson Homes Yorkshire Limited	1	A	Ordinary	100%
Decorfresh Projects Limited	1	A	Ordinary	100%
Dicconson Holdings Limited	1	A	Ordinary	100%
E. Barker Limited	1	A	Ordinary	100%
E. Geary & Son Limited	1	A	Ordinary	100%
English Oak Homes Limited	1		Ordinary	100%
Francis (Springmeadows) Limited	1	A	Ordinary	100%
Frenchay Developments Limited	1	A	Ordinary	100%
G.D. Thorner (Construction) Limited	1	A	Ordinary	100%
G.D. Thorner (Holdings) Limited	1	A	Ordinary	100%
Glasgow Trust Limited	2	A	Ordinary	100%
Hartswood House Limited	1		Ordinary	100%
Hawkstone (South West) Limited	1	A	Ordinary	100%
Heartland Development Company Limited	1	A	Ordinary	100%
Idle Works Limited	1	A	Ordinary	100%
J. G. Parker Limited	1	A	Ordinary	100%
James Harrison (Contracts) Limited	2	A	Ordinary	100%
Janellis (No.2) Limited	1	A	Ordinary	100%
Kealoha 11 Limited	1	A	Ordinary	100%
Kealoha Limited	1	A	Ordinary	100%
Kingsoak Homes Limited	1		Ordinary	100%
Knightsdale Homes Limited	1		Ordinary	100%
Lindmere Construction Limited	1	A	Ordinary	100%
Marple Development Company Limited	1	A	Ordinary	100%
Meridian Press Limited	1	A	Ordinary	100%
Milton Park Homes Limited	1	A	Ordinary	100%
Mountdale Homes Limited	1		Ordinary	100%
Norfolk Garden Estates Limited	1	A	Ordinary	100%
North West Land Developments Limited	1	A	Ordinary	100%
Oregon Contract Management Limited	51	A	Ordinary	100%
Oregon Timber Frame Limited	51	A	Ordinary	100%
Redbourne Builders Limited	1	A	Ordinary	100%
Roland Bardsley Homes Limited	1	A	Ordinary	100%
Scothomes Limited	2	A	Ordinary	100%
Scottish Homes Investment Company, Limited	2	A	Ordinary	100%
Skydream Property Co. Limited	1	A	Ordinary	100%
SQ Holdings Limited	53	A	Ordinary	90%
Squires Bridge Homes Limited	1	A	Ordinary	100%

7.4 Group subsidiary undertakings CONTINUED

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Squires Bridge Limited	1	A	Ordinary	100%
Swift Properties Limited	1	A	Ordinary	100%
The French House Limited	1	A	Ordinary	100%
The Tin Hat Regeneration Partnership LLP	1	A	N/A	N/A
Tomnik Limited	1	A	Ordinary	100%
Trencherwood Commercial Limited	1	A	Ordinary	100%
Trencherwood Construction Limited	1	A	Ordinary	100%
Trencherwood Developments Limited	1	A	Ordinary	100%
Trencherwood Estates Limited	1	A	Ordinary	100%
Trencherwood Group Services Limited	1	A	Ordinary	100%
Trencherwood Homes (Holdings) Limited	1	A	Ordinary	100%
Trencherwood Homes (Midlands) Limited	1	A	Ordinary	100%
Trencherwood Homes (South Western) Limited	1	A	Ordinary	100%
Trencherwood Homes (Southern) Limited	1	A	Ordinary	100%
Trencherwood Homes Limited	1	A	Ordinary	100%
Trencherwood Housing Developments Limited	1	A	Ordinary	100%
Trencherwood Investments Limited	1	A	Ordinary	100%
Trencherwood Land Holdings Limited	1	A	Ordinary	100%
Trencherwood Land Limited	1	A	Ordinary	100%
Trencherwood Retirement Homes Limited	1	A	Ordinary	100%
Vizion (Milton Keynes) Limited	1	A	Ordinary	100%
Vizion (MK) Properties LLP	1	A	N/A	N/A
VSM (Bentley Priory 1) Limited	1	A	Ordinary	100%
VSM (Bentley Priory 2) Limited	1	A	Ordinary	100%
VSM (Bentley Priory 3) Limited	1	A	Ordinary	100%
VSM (Bentley Priory 4) Limited	1	A	Ordinary	100%
VSM (Bentley Priory 5) Limited	1	A	Ordinary	100%
VSM (Bentley Priory 6) Limited	1	A	Ordinary	100%
Ward (Showhomes) Limited	1	A	Ordinary	100%
Ward Brothers (Gillingham) Limited	1	A	Ordinary	100%
Ward Holdings Limited	1	A	Ordinary	100%
Ward Homes (London) Limited	1	A	Ordinary	100%
Ward Homes (North Thames) Limited	1	A	Ordinary	100%
Ward Homes (South Eastern) Limited	1	A	Ordinary	100%
Ward Homes Group Limited	1	A	Ordinary	100%
Ward Homes Limited	1	A	Ordinary	100%
Ward Insurance Services Limited	1	A	Ordinary	100%
Wards Construction (Industrial) Limited	1	A	Ordinary	100%
Wards Construction (Investments) Limited	1	A	Ordinary	100%
Wards Country Houses Limited	1	A	Ordinary	100%
Waterton Tennis Centre Limited	29	A	Ordinary	100%
WBD (Wokingham) Limited	1	A	Ordinary	100%
Westcountry Land (Union Corner) Limited	1	A	Ordinary	100%
William Corah & Son Limited	1	A	Ordinary	100%
William Corah Joinery Limited	1	A	Ordinary	100%

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Wilson Bowden (Atlantic Quay Number 2) Limited	1	A	Ordinary	100%
Wilson Bowden (Ravenscraig) Limited	1		Ordinary	100%
Wilson Bowden City Homes Limited	1	A	Ordinary	100%
Wilson Bowden Developments Limited	1	A	Ordinary	100%
Wilson Bowden Group Services Limited	1	A	Ordinary	100%
Wilson Bowden Limited	1		Ordinary	100%
Yeovil Developments Limited	1	A	Ordinary	100%
Abbey Gate Residents Management Company Limited	5	A, B	N/A	N/A
Abbotts Meadow (Steventon) Management Company Limited	12	A, B	N/A	N/A
Adderbury Fields Management Company Limited	5	A, B	N/A	N/A
Aldhelm Court Management Company Limited	30	A, B	N/A	N/A
Alexander Gate Management Company Limited	5	A, B	N/A	N/A
Ambler's Meadow (East Ardsley) Management Company Limited	28	A, B	N/A	N/A
Applegarth Manor (Oulton) Management Company Limited	10	A, B	N/A	N/A
Ash Tree Court Management Co. Ltd	1	A, D	Ordinary	0%
Aspects Management Company Limited	27	A	Ordinary	50%
Autumn Brook (Yate) Management Company Limited	13	A, B	N/A	N/A
Aylesham Village (Barratt) Residents Management Company Limited	49	A, B	N/A	N/A
B5 Central Residents Management Company Limited	23	A, B	N/A	N/A
Baggeridge Village Management Company Limited	5	A, B	N/A	N/A
Barley Fields Management Company Limited	10	A, B	N/A	N/A
Beaufort Park (Wotton Bassett) Management Limited	50	A, B	N/A	N/A
Beavans House Management Company Limited	1	A, B	N/A	N/A
Belle Vue (Doncaster) Management Company Limited	6	A, B	N/A	N/A
Bentley Fields Residents Management Company Limited	23	A, B	N/A	N/A
Biddenham Vale Management Company Limited	15	A, B	N/A	N/A
Bilberry Chase Residents Management Company Limited	5	A, B	N/A	N/A
Bishop Fields (Hereford) Management Company Limited	20	A, B	N/A	N/A
Bishop Park (Henfield) Management Company Limited	17	A, B	N/A	N/A
Bishops Green (Wells) Management Company Limited	12	A, B	N/A	N/A
Bishop's Hill Residents Management Company Limited	23	A, B	N/A	N/A
Blackberry Park Residents Management Company Limited	32	A, B	N/A	N/A
Blackwater Reach (Southminster) Management Company Limited	14	A, B	N/A	N/A
Blossomfields Residents Management Company Limited	5	A, B	N/A	N/A
Bluebell Woods (Wyke) Management Company Limited	10	A, B	N/A	N/A

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Notes to the Financial Statements CONTINUED
Year ended 30 June 2020

7.4 Group subsidiary undertakings CONTINUED

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Bodington Manor (Adel) Management Company Limited	9	A, B	N/A	N/A
Bowds House Management Company Limited	1	A, B	N/A	N/A
Braid Park (Tiverton) Management Company Limited	40	A, B	N/A	N/A
Broadstone Mead Management Company Ltd	13	A, B	N/A	N/A
Brook Gardens Barnham Management Company Limited	9	A, B	N/A	N/A
Brooklands (Milton Keynes) Management Company Limited	15	A, B	N/A	N/A
Broomhill Park Estates Residents Association Limited	1	A	Ordinary	87%
Bruneval Gardens (Wellesley) Management Company Limited	10	A, B	N/A	N/A
Buckshaw Village Management Company Limited	8	A	Ordinary	50%
Bure Meadows (Aylsham) Management Company Limited	14	A, B	N/A	N/A
Canal Quarter Resident Management Company Limited	16	A, B	N/A	N/A
Cane Hill Park (Coulsdon) Management Company Limited	17	A, B	N/A	N/A
Cane Hill Park (Gateway) Management Company Limited	17	A, B	N/A	N/A
Canes Meadow (Brixton) Management Company Limited	40	A, B	N/A	N/A
Canford Paddock (Poole) Management Company Limited	7	A, B	N/A	N/A
Carlton Green (Carlton) Management Company Limited	9	A, B	N/A	N/A
Castle Hill (DWH1) Residents Management Company Limited	8	A, B	N/A	N/A
Castlegate & Mowbray Park Management Company Limited	6	A, B	N/A	N/A
Cedar Ridge Management Company Limited	10	A, B	N/A	N/A
Central Area Heat Company Limited	12	A, B	N/A	N/A
Centurion Fields (Adel) Management Company Limited	6	A, B	N/A	N/A
Chalkers Rise (Peacehaven) Management Company Limited	17	A, B	N/A	N/A
Charfield Gardens Management Company Limited	32	A, B	N/A	N/A
Cherry Blossom Meadow (Newbury) Management Company Limited	12	A, B	N/A	N/A
Chestnut Grange Residents Management Company Limited	5	A, B	N/A	N/A
Clements Gate (Poringland 2) Management Company Limited	15	A, B	N/A	N/A
Clipstone Park (Leighton Buzzard) Management Company Limited	15	A, B	N/A	N/A
Coat Grove (Martock) Management Company Limited	40	A, B	N/A	N/A
Colliers Court (Speedwell) Management Company Limited	13	A, B	N/A	N/A
Compass Point (Swanage) Management Company Limited	7	A, B	N/A	N/A
Coppice Green Lane Management Company Limited	20	A, B	N/A	N/A
Copsewood Management Company Limited	5	A, B	N/A	N/A
Corinthian Place Management Company Limited	14	A, B	N/A	N/A
Cricket Field Grove (Crowthorne) Management Company Limited	10	A, B	N/A	N/A
Croft Gardens (Phase 2) Management Company Limited	12	A, B	N/A	N/A
Croft Gardens (Spencers Wood) Management Company Limited	12	A, B	N/A	N/A
Cygnet Mews (Phase 2) Management Company Limited	15	A, B	N/A	N/A
Daracombe Gardens Management Company Limited	33	A, B	N/A	N/A
Darwin Green Management Company Limited	15	A, B	N/A	N/A
De Cheney Gardens Management Company Limited	30	A, B	N/A	N/A
De Havilland Place (Hatfield) Management Company Limited	22	A, B	N/A	N/A
De Lacy Fields KM8 Management Company Limited	5	A, B	N/A	N/A
De Lacy Fields KM12 Management Company Limited	5	A, B	N/A	N/A
Deddington Grange Management Company Limited	5	A, B	N/A	N/A
Dickens Gate (Staplehurst) Management Company Limited	8	A, B	N/A	N/A
Dida Gardens (Didcot) Management Company Limited	12	A, B	N/A	N/A
Doseley Park Residents Management Company Limited	5	A, B	N/A	N/A
Drayton Meadows Management Company Limited	23	A, B	N/A	N/A
Earls Park Management Company Limited	30	A, B	N/A	N/A
Edwalton (Sharp Hill) Management Company Limited	48	A, B	N/A	N/A
Elderwood (Bannerdale) Management Company Limited	9	A, B	N/A	N/A
Elm Tree Park Management Company (Beverley) Limited	25	A, B	N/A	N/A
Embden Grange (Tavistock) Management Company Limited	40	A, B	N/A	N/A
Emmet's Reach (Birkenshaw) Management Company Limited	42	A, B	N/A	N/A
Eton Green Management Company Limited	16	A, B	N/A	N/A
Fairfield Croft Management Company Limited	6	A, B	N/A	N/A
Fairfield (Stony Stratford) Management Company Limited	15	A, B	N/A	N/A
Fallows Park Management Company Limited	6	A, B	N/A	N/A
Filwood Park Management Company Limited	13	A, B	N/A	N/A
Foxcote Mead Management Company Limited	1	A, B	Ordinary	100%
Freemen's Meadow Residents Management Company Limited	26	A, B	N/A	N/A
Garnett Wharf (Otley) Management Company Limited	9	A, B	N/A	N/A
Gerway Management Limited	40	A, B	N/A	N/A
Gilden Park (Old Harlow) Residents Management Company Limited	8	A, B	N/A	N/A
Gillies Meadow (Basingstoke) Management Company Limited	12	A, B	N/A	N/A
Grange Park (Hampsthwaite) Management Company Limited	10	A, B	N/A	N/A
Great Denham Park (Phase 11) Management Company Limited	15	A, B	N/A	N/A
Great Pastures Management Company Limited	38	A, B	N/A	N/A

7.4 Group subsidiary undertakings CONTINUED

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Greenkeepers Mews (Phase 3) Management Company Limited	15	A, B	N/A	N/A
GWQ Management Limited	24	A, C	Ordinary	0%
H2363 Limited	50	A, B	N/A	N/A
Hallam Park Residents Management Company Limited	23	A, B	N/A	N/A
Harlow Gateway Limited	35	A, B	N/A	N/A
Hartley Brook (Netherton) Management Company Limited	9	A, B	N/A	N/A
Hawley Gardens Management Company Limited	36	A, B	N/A	N/A
Hazelmere Management Company Limited	1	A, D	N/A	N/A
Heather Croft (Pickering) Management Company Limited	9	A, B	N/A	N/A
Heathwood Park (Lindfield) Management Company Limited	17	A, B	N/A	N/A
Helme Ridge (Meltham) Management Company Limited	28	A, B	N/A	N/A
Henbrook Gardens Management Company Limited	20	A, B	N/A	N/A
Heron House (Wichelstowe) Management Company Limited	1	A, B	N/A	N/A
Hesslewood Park Management Company Limited	10	A, B	N/A	N/A
Hewenden Ridge (Cullingworth) Management Company Limited	9	A, B	N/A	N/A
High Elms Park (Hullbridge) Management Company Limited	14	A, B	N/A	N/A
Highgrove Gardens (Romsey) Management Company Limited	46	A, B	N/A	N/A
Hollygate Park (Cotgrave) Management Company Limited	16	A, B	N/A	N/A
Holmesgate Place (Hayes) Management Company Limited	54	A, B	N/A	N/A
Infinity Park Derby Management Company Limited	1	A, B	N/A	N/A
Interlink Park Management Company Limited	1	A, C	Ordinary	0%
Jenkins House Management Company Limited	1	A, B	N/A	N/A
Keeper's Meadow Residents Management Company Limited	23	A, B	N/A	N/A
Kennett Heath Management Limited	8	A, B	N/A	N/A
Kilners Grange (Tongham) Management Company Limited	17	A, B	N/A	N/A
Kingfisher Meadow (Horsford) Management Company Limited	14	A, B	N/A	N/A
Kingfisher Meadows Residents Management Company Limited	23	A, B	N/A	N/A
Kingley Gate (Littlehampton) Management Company Limited	17	A, B	N/A	N/A
Kingsbourne (Nantwich) Community Management Company Limited	8	A, B	N/A	N/A
Kingsbrook Estate Management Company Limited	16	A, B	N/A	N/A
Kings Chase Residents Management Company Limited	25	A, B	N/A	N/A
Kingsdown Gate (Swindon) Management Company Limited	13	A, B	N/A	N/A
Kingsley Meadows (Harrogate) Management Company Limited	6	A, B	N/A	N/A
Kipling Road (Ledbury) Residents Management Company Limited	33	A, B	N/A	N/A
Knights Park (Watton) Management Company Limited	14	A, B	N/A	N/A

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Knights Rise (Temple Cloud) Management Company Limited	12	A, B	N/A	N/A
KW (Site B) 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
Ladden Garden Village Management Company Limited	30	A, B	N/A	N/A
Ladywell Park Management Company Limited	15	A, B	N/A	N/A
Lakeside Walk (Hamworthy) Management Company Limited	31	A, B	N/A	N/A
Langham Mews Management Company Limited	44	A, B	N/A	N/A
Lavender Grange (Stondon) Resident Management Company Limited	15	A, B	N/A	N/A
Lay Wood (Devizes) Management Company Limited	50	A, B	N/A	N/A
Letcombe Gardens (Grove) Management Company Limited	12	A, B	N/A	N/A
Leithfield Park (Godalming) Management Company Limited	17	A, B	N/A	N/A
Liberty Rise Phase 1 (Hertford) Management Company Limited	22	A, B	N/A	N/A
Lock Keeper's Gate (Low Barugh) Management Company Limited	10	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
Lucerne Fields (Ivybridge) Management Company Limited	40	A, B	N/A	N/A
Luneside Mills Management Company Limited	8	A, B	N/A	N/A
Madden Gardens Residents Management Company Limited	11	A, B	N/A	N/A
Madgwick Park Management Company Limited	7	A, B	N/A	N/A
Marham Park Management Company Limited	18	A, B	N/A	N/A
Marlborough Grove Estate Management Company Limited	16	A, B	N/A	N/A
Marston Park (Marston Moretaine) Management Company Limited	15	A, B	N/A	N/A
Martello Lakes (Barratt) Resident Management Company Limited	8	A, B	N/A	N/A
Martindale Place (Southwater) Management Company Limited	15	A, B	N/A	N/A
Martingale Chase (Newbury) Management Company Limited	8	A, B	N/A	N/A
Meadowfields (Boroughbridge) Management Company Limited	9	A, B	N/A	N/A
Meadow View Watchfield Management Company Limited	13	A, B	N/A	N/A
Meridian Business Park Extension Management Company Limited	1	A, C	Ordinary	2%
Mill Brook (Westbury) Management Company Limited	50	A, B	N/A	N/A
Mill Springs (Whitchurch) Management Company Limited	39	A, B	N/A	N/A
Monarchs Keep (Bursledon) Management Company Limited	46	A, B	N/A	N/A
Montague Park (Buckhurst Farm) Management Company Limited	12	A, B	N/A	N/A

Notes to the Financial Statements CONTINUED

Year ended 30 June 2020

7.4 Group subsidiary undertakings CONTINUED

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Montague Park No2 (Buckhurst Farm) Management Company Limited	12	A, B	N/A	N/A
Montgomery Place Residents Management Company Limited	5	A, B	N/A	N/A
Monument House Management Company Limited	1	A, B	N/A	N/A
Mortimer Park (Driffield) Management Company Limited	9	A, B	N/A	N/A
Morton Meadows (Thornbury) Management Company Limited	1	A, B	N/A	N/A
Mulberry Park (Poringland) Management Company Limited	14	A, B	N/A	N/A
Needham's Grange Residents Management Company Limited	33	A, B	N/A	N/A
N.E. Horley Resident Management Company Limited	25	A, B	N/A	N/A
Newbery Corner Management Company Ltd	13	A, B	N/A	N/A
Newbury Racecourse Management Limited	19	A	N/A	N/A
New Heritage (Bordon) Management Company Limited	46	A, B	N/A	N/A
New Mill Quarter (BL) Residents Management Company Limited	8	A, B	N/A	N/A
New Mill Quarter Estate Resident Management Company Limited	8	A, B	N/A	N/A
Nexus Point Management Company Limited	1	A, C	Ordinary	0%
Northfield Park (Patchway) Management Company Limited	32	A, B	N/A	N/A
Northstowe Residents Management Company Limited	15	A, B	N/A	N/A
Northwalls Grange (Taunton) Management Company Limited	30	A, B	N/A	N/A
Norton Farm Management Company Limited	20	A, B	N/A	N/A
Nottingham Business Park Management Company Limited	1	A, C	Ordinary	2%
Nottingham Business Park (Orchard Place) Management Company Limited	1	A, C	Ordinary	2%
Notton Wood View (Royston) Management Company Limited	42	A, B	N/A	N/A
Oak Hill Mews Management Company Limited	20	A, B	N/A	N/A
Oakfields Residential Management Company Limited	5	A, B	N/A	N/A
Oakfield Village Estate Management Company Limited	16	A, B	N/A	N/A
Oakhill Gardens (Swanmore) Management Company Limited	7	A, B	N/A	N/A
Oakhurst Place (Bexhill) Management Company Limited	17	A, B	N/A	N/A
Oaklands (Pontefract) Management Company Limited	9	A, B	N/A	N/A
Oakwell Grange Management Company Limited	16	A, B	N/A	N/A
Oatley Park Management Company Limited	50	A, B	N/A	N/A
One Eight Zero (Bedhampton) Management Company Limited	7	A, B	N/A	N/A
Optimus Point Management Company Limited	1	A	Ordinary	0%
Orchard Gate (Kingston Bagpuize) Management Company Limited	12	A, B	N/A	N/A
Orchard Green Estate Management Company Limited	16	A, B	N/A	N/A
Orchid Fields (Phase 2) Management Company Limited	15	A, B	N/A	N/A
Park Farm (Thornbury) Community Interest Company	30	A, B	N/A	N/A
Patch Meadows (Somerton) Management Company Limited	30	A, B	N/A	N/A
Pavilion Square (Phase 2) Management Company Limited	6	A, B	N/A	N/A
Pavilion Square (Pocklington) Management Company Limited	6	A, B	N/A	N/A
Peasedown Meadows Management Company Limited	30	A, B	N/A	N/A
Pembridge Park (Phase 2) Management Company Limited	26	A, B	N/A	N/A
Pembroke Park (Cirencester) Management Company Limited	30	A, B	N/A	N/A
Penndrumm (Looe) Management Company Limited	40	A, B	N/A	N/A
Perry Court (Faversham) Management Company Limited	15	A, B	N/A	N/A
Phoenix And Scorseby Park Management Company Limited	6	A, B	N/A	N/A
Phoenix Quarter – Apt – Management Company Limited	49	A, B	N/A	N/A
Phoenix Quarter Estate Management Company Limited	49	A, B	N/A	N/A
Pinn Brook Park (Monkerton) Management Company Limited	40	A, B	N/A	N/A
PL2 Plymouth (2016) Limited	40	A, B	N/A	N/A
Poppy Fields (Cottingham) Management Company Limited	6	A, B	N/A	N/A
Poppy Fields, Charing Residents Management Company Limited	8	A, B	N/A	N/A
Portman Square West Village Reading Management Company Limited	12	A, B	N/A	N/A
Preston Grange Residents Management Company Limited	45	A, B	N/A	N/A
Priestley House Management Company Limited	1	A, B	N/A	N/A
Priory Fields (Pontefract) Management Company Limited	10	A, B	N/A	N/A
Prospect Rise (Whitby) Management Company Limited	6	A, B	N/A	N/A
Pye Green Management Company Limited	20	A, C	Ordinary	17%
Quarter Jack Park (Wimborne) Management Company Limited	7	A, B	N/A	N/A
Raleigh Holt (Barnstaple) Management Company Limited	40	A, B	N/A	N/A
Ravenhill Park Management Company Limited	20	A, B	N/A	N/A
Redhayes Management Company Limited	40	A, B	N/A	N/A
Redlodge (Suffolk) Management Company Limited	14	A, B	N/A	N/A
Redwood Heights (Plymouth) Management Company Limited	40	A, B	N/A	N/A
Regents Gate Phase 2 Management Company Limited	40	A, B	N/A	N/A
Ridgeway Residential Management Company Limited	11	A, B	N/A	N/A
Riverdown Park (Salisbury) Management Company Limited	15	A, B	N/A	N/A
River Whitewater Management Company (Hook) Limited	10	A, B	N/A	N/A
Riverside Exchange Management Company Limited	1	A, C	Ordinary/ Preference	22.8%
Romans Edge Godmanchester Management Company Limited	15	A, B	N/A	N/A

7.4 Group subsidiary undertakings CONTINUED

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Romulus Management Company Limited	1	A, C	Ordinary	4%
Ronkswood Residents Management Company Limited	5	A, B	N/A	N/A
Rosewood Park Bexhill Residents Management Company Limited	8	A, B	N/A	N/A
Rosewood Park LH Residents Management Company Limited	8	A, B	N/A	N/A
Runshaw Management Company Limited	8	A	Ordinary	100%
Salters Brook (Cudworth) Management Company Limited	42	A, B	N/A	N/A
Sandbrook Park Management Company Limited	16	A, B	N/A	N/A
Sandridge Place (Melksham) Management Company Limited	10	A, B	N/A	N/A
Saunderson Gardens Management Co Limited	28	A, B	N/A	N/A
Saxon Corner (Emsworth) Management Company Limited	7	A, B	N/A	N/A
Saxon Dean (Silsden) Management Company Limited	10	A, B	N/A	N/A
Saxon Fields (Cullompton) Management Company Limited	40	A, B	N/A	N/A
Saxon Gate (Leonard Stanley) Management Company Limited	10	A, B	N/A	N/A
Saxon Gate (Stamford Bridge) Management Company Limited	6	A, B	N/A	N/A
Saxon Mills (Hassocks) Management Company Limited	17	A, B	N/A	N/A
Saxon Rise (Brixworth) Management Company Limited	15	A, B	N/A	N/A
Silkwood Gate (Wakefield) Management Company Limited	9	A, B	N/A	N/A
Spinney Fields Residents Management Company Limited	5	A, B	N/A	N/A
Spring Valley View (Clayton) Management Company Limited	10	A, B	N/A	N/A
Springfield Village Estate Limited	4	A	Ordinary	19%
St. Andrews Place (Morley) Management Co. Limited	28	A, B	N/A	N/A
St Andrews View (Morley) Management Company Limited	42	A, B	N/A	N/A
Stansted Road (Kingswood Place Elsenham) Management Company Limited	18	A, B	N/A	N/A
St Giles Park (Tattenhoe) Management Company Limited	15	A, B	N/A	N/A
St James Gardens (Wick) Management Company Limited	29	A, B	N/A	N/A
St James Management Company Limited	9	A, B	N/A	N/A
St. John's Walk (Hoylandswaine) Management Company Limited	28	A, B	N/A	N/A
St Laurence Meadows Management Company Limited	20	A, B	N/A	N/A
St Mary's Park (Hartley Wintney) Management Company Limited	25	A, B	N/A	N/A
Stoneyfield Management Limited	1	A	Ordinary	100%
St. Oswald's View (Methley) Management Company Limited	9	A, B	N/A	N/A
Stratford Park (Wolverton) Management Company Limited	15	A, B	N/A	N/A
St Rumbolds Fields Management Company Limited	16	A, B	N/A	N/A
St Wilfrids Walk Management Company Limited	6	A, B	N/A	N/A

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Swallows Field (Hemel Hempstead) Management Company Ltd	22	A, B	N/A	N/A
Swan Mill (Newbury) Management Company Limited	12	A, B	N/A	N/A
Swinbrook Park (Carterton) Management Company Limited	12	A, B	N/A	N/A
Tarka Ridge (Yelland) Management Company Limited	40	A, B	N/A	N/A
Templar's Chase (Wetherby) Management Company Limited	9	A, B	N/A	N/A
The Belt Open Space Management Co Limited	6	A, B	N/A	N/A
The Brackens (Brackley) Management Company Limited	15	A, B	N/A	N/A
The Bridleways (Eccleshill) Management Company Limited	28	A, B	N/A	N/A
The Causeway Park (Petersfield) Management Company Limited	34	A, B	N/A	N/A
The Chocolate Works Management Company Limited	37	A, B	N/A	N/A
The Fieldings (Worthing) Management Company Limited	3	A, B	N/A	N/A
The Foundry (Wakefield) Management Company Ltd	9	A, B	N/A	N/A
The Furlongs (Westergate) Management Company Limited	39	A, B	N/A	N/A
The Glassworks (Catcliffe) Management Company Limited	10	A, B	N/A	N/A
The Grange (Lightcliffe) Management Company Limited	28	A, B	N/A	N/A
The Hedgerows (Thurcroft) Management Company Limited	9	A, B	N/A	N/A
The Limes (Lindfield) Management Company Limited	15	A, B	N/A	N/A
The Meads (Frampton Cotterell) Management Company Limited	13	A, B	N/A	N/A
The Mounts Residents Management Company Limited	5	A, B	N/A	N/A
The Nurseries (Thrapston) Management Company Limited	47	A, B	N/A	N/A
The Old Meadow Management Company Limited	41	A, B	N/A	N/A
The Orchards Oakley Management Company Limited	1	A	Ordinary	60%
The Orchards (Roby) Management Company Limited	8	A, B	N/A	N/A
The Orchards (Withington) Residents Management Company Limited	5	A, B	N/A	N/A
The Paddocks (Skelmanthorpe) Management Company Limited	10	A, B	N/A	N/A
The Paddocks (Southmoor) Management Company Limited	12	A, B	N/A	N/A
The Pastures (Knaresborough) Management Company Limited	6	A, B	N/A	N/A
The Pavilions Management Company (Southampton) Limited	46	A, B	N/A	N/A
The Pavilions Resident Management Company Limited	23	A, B	N/A	N/A
The Spires (Chesterfield) Management Company Limited	26	A, B	N/A	N/A
The Spires (St Ives) Management Company Limited	15	A, B	N/A	N/A
The Vineyards Management Company Limited	30	A, B	N/A	N/A
The Zone (Temple Quay) Management Company Limited	43	A, B	N/A	N/A
Tranby Fields Management Company Limited	10	A, B	N/A	N/A

Notes to the Financial Statements CONTINUED

Year ended 30 June 2020

7.4 Group subsidiary undertakings CONTINUED

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Trinity Square (NW9) Management Company Limited	11	A, B	N/A	N/A
Trumpington (Phase 8 – 11) Management Company Limited	14	A, B	N/A	N/A
Trumpington Vista Management Company Limited	14	A, B	N/A	N/A
Union Park (Falmouth) Management Company Limited	40	A, B	N/A	N/A
Victoria Heights (Alphington) Management Company Limited	40	A, B	N/A	N/A
Waite House Management Company Limited	1	A, B	N/A	N/A
Walton Gate (Felixstowe) Management Company Limited	14	A, B	N/A	N/A
Warboys Management Company Limited	38	A, B	N/A	N/A
Warren Grove (Storrington) Management Company Limited	49	A, B	N/A	N/A
Waters Edge (Mossley) Management Company Limited	8	A, B	N/A	N/A
Waterside (The Quays Barry) Management Company Number 1 Limited	29	A, B	N/A	N/A
Waterside (The Quays Barry) Management Company Number 2 Limited	29	A, B	N/A	N/A
Waterside (The Quays Barry) Management Company Number 3 Limited	29	A, B	N/A	N/A
WBD Blenheim Management Company Limited	1	A, C	Ordinary	1%
WBD (Chesterfield Management) Limited	1	A	Ordinary	17%
WBD (Chesterfield) Plot Management Company Limited	1	A, C	Ordinary	25%
WBD (Kingsway Management) Limited	1	A, B	N/A	N/A
WBD (Riverside Exchange Sheffield B) Limited	1	A	Ordinary	100%
WBD Riverside Sheffield Building K Limited	1	A	Ordinary	100%
Weavers Chase (Golcar) Management Company Limited	9	A, B	N/A	N/A

Subsidiary	Registered office	Notes	Class of share held	% of shares owned
Webheath (Redditch) Management Company Limited	33	A, B	N/A	N/A
Wedgwood Residents Management Company Limited	5	A, B	N/A	N/A
Westbridge Park (Auckley) Management Company Limited	26	A, B	N/A	N/A
Weston Meadows, Calne Management Company Limited	50	A, B	N/A	N/A
West Village Reading Management Limited	12	A	N/A	N/A
Wichelstowe Estate Management CIC	1	A, B	N/A	N/A
Willow Farm Management Company Limited	1	A, C	Ordinary	3%
Willow Grove (Stopsley) Management Company Limited	8	A, B	N/A	N/A
Willow Grove (Wixams) Management Company Limited	15	A, B	N/A	N/A
Willow Lane (Beverley) Management Company Limited	6	A, B	N/A	N/A
Willowmead (Wiveliscombe) Management Company Limited	50	A, B	N/A	N/A
Winnington Village Community Management Company Limited	26	A, B	N/A	N/A
Withies Bridge Management Company Ltd	30	A, B	N/A	N/A
Woodhall Grange Management Company Limited	6	A, B	N/A	N/A
Wychwood Park (Haywards Heath) Management Company Limited	17	A, B	N/A	N/A

Notes

A Owned through another Group company.

B Entity is limited by guarantee and is a temporary member of the Group. Assets are not held for the benefit of the Group and the entity has no profit or loss in the year.

C The Group is a minority shareholder but has voting control.

D The Group does not own any shares but has control via directors who are employees of the Group.

7.4 Group subsidiary undertakings CONTINUED

Registered Office

1. Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF
2. 7 Buchanan Gate, Cumbernauld Road, Stepps, Glasgow, G33 6FB
3. 31 Chapel Road, Worthing, BN11 1RG
4. 55 Baker Street, London, England, W1U 8EW
5. One Eleven, Edmund Street, Birmingham, West Midlands, B3 2HJ
6. Unit 11, Omega Business Park, Omega Business Village, Thurston Road, Northallerton, North Yorkshire, DL6 2NJ
7. Tollbar House, Tollbar Way, Hedge End, Southampton, Hampshire, SO30 2UH
8. Rmg House, Essex Road, Hoddesdon, Hertfordshire, EN11 0DR
9. Gateway House, 10 Coopers Way, Southend on Sea, Essex, SS2 5TE
10. Vantage Point, 23 Mark Road, Hemel Hempstead, Hertfordshire, HP2 7DN
11. 167 Turners Hill, Cheshunt, Waltham Cross, Hertfordshire, EN8 9BH
12. Norgate House, Tealgate, Charnham Park, Hungerford, Berkshire, RG17 0YT
13. Units 1, 2 & 3 Beech Court, Wokingham Road, Hurst, Reading, RG10 0RU
14. Barratt House, 7 Springfield Lyons Approach, Chelmsford, Essex, CM2 5EY
15. The Maltings, Hyde Hall Farm, Sandon, Hertfordshire, SG9 0RU
16. 2 Hills Road, Cambridge, Cambridgeshire, CB2 1JP
17. Barratt House, Walnut Tree Close, Guildford, Surrey, GU1 4SW
18. Fisher House, 84 Fisherton Street, Salisbury, SP2 7QY
19. Newbury Racecourse Plc, The Racecourse, Newbury, Berkshire, RG14 7NZ
20. 60 Whitehall Road, Halesowen, B63 3JS
21. Gem House, 1 Dunhams Lane, Letchworth Garden City, Hertfordshire, SG6 1GL
22. Wellstones House, Wellstones, Watford, Hertfordshire, WD17 2AF
23. Remus 2, 2 Cranbook Way, Solihull Business Park, Solihull, West Midlands, B90 4GT
24. Wallis House, Great West Road, Brentford, Middlesex, TW8 9BS
25. Firstport Property Services Limited, Marlborough House, Wigmore Place, Wigmore Lane, Luton, LU2 9EX
26. Chiltern House, 72–74 King Edward Street, Macclesfield, Cheshire, SK10 1AT
27. 100 Avebury Boulevard, Milton Keynes, England, MK9 1FH
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. Cumberland Court, 80 Mount Street, Nottingham, Nottinghamshire, United Kingdom, NG1 6HH
39. PO Box 648, Gateway House, Tollgate, Chandler's Ford, Eastleigh, Hampshire, SO50 0ND
40. Woodwater House, Pynes Hill, Exeter, Devon, EX2 5WR
41. Unit 7, Astra Centre, Edinburgh Way, Harlow, Essex, England, CM20 2BN
42. Freemont Property Managers Ltd, 3 The Old School, The Square, Pennington, Lymington, 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. C/O Raymond Beer & Co, Manor Road, Chatham, England, ME4 6AG
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
51. Blairton House Old Aberdeen Road, Balmedie, Aberdeen, Scotland, AB23 8SH
52. Telford House, 3 Mid New Cultins, Edinburgh, Midlothian, EH11 4DH
53. Cash's Business Centre, Widdrington Road, Coventry, United Kingdom, CV1 4PB
54. C/O Rendall and Rittner Ltd, Portsoken House, 1550157 Minories, London EC3N 1LJ

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Greenhouse gas emissions disclosure

Greenhouse gas emissions			2020	2019	2018	2015
Scope 1	tCO_2e		**18,374**	24,832	24,966	24,019
Scope 2	Location based	tCO_2e	**4,700**	5,016	6,594	11,809
	Market based	tCO_2e	**2,089**	3,411	4,992	–
Total gross scope 1 & scope 2 emissions	Location based	tCO_2e	**23,074**	29,848	31,560	35,828
	Market based	tCO_2e	**20,463**	28,243	29,958	–
Energy Consumption		MWh	**97,686**	117,551	116,998	–
Carbon Intensity (per 100 sq.m. of legally completed build area)*	Location based	$tCO_2e/100m^2$	**1.92**	1.75	1.82	2.32
	Market based	$tCO_2e/100m^2$	**1.70**	1.66	1.73	–
Scope 3		tCO_2e	**3,130,717**	3,835,725	3,857,428	–
Total gross scope 1, 2 & 3 emissions	Location based	tCO_2e	**3,153,791**	3,865,573	3,888,988	–
	Market based	tCO_2e	**3,151,180**	3,863,968	3,887,386	–

* Carbon intensity has been restated to include scope 1 and scope 2 emissions only – see section 5

1. Organisational Boundary

The Group has used the GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition) as the method to quantify and report greenhouse gas emissions. Greenhouse gas emissions are reported in line with the UK Government's 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance' (dated March 2019).

As the Group operates in England, Wales and Scotland only, the Group's emissions stated above are amounts for UK and offshore emissions, with no additional global emissions.

In line with the revised Greenhouse Gas Reporting Protocol, the Group reports the sources of material greenhouse gas emissions from its main activities, categorised as scope 1, 2 and 3 emissions. Scope 1 comprises direct emissions from sources owned or controlled by the Group such as the use of red diesel, natural gas and liquid petroleum gas on construction sites and natural gas, biomass fuel and refrigerant losses in our offices and other administrative activities. Scope 2 comprises indirect emissions associated with the consumption of energy from purchased electricity, heat and steam. Scope 3 relates to all other indirect emissions that occur in the value chain, including upstream and downstream emissions.

The Group has increased its breadth of reporting scope 3 emissions in the current year to extend to all scope 3 emissions. Scope 3 emissions relate to an estimate of the end-to-end carbon emissions from the Group's activities, comprising indirect emissions such as those from the supply chain, waste disposal by third parties and carbon emissions incurred throughout the use of sold buildings. In the 30 June 2019 Annual Report and Accounts, scope 3 emissions included business travel and losses in transmission from scope 1 and 2 sources only. Scope 3 emissions for 2019 have therefore been restated for the purpose of the 30 June 2020 Annual Report and Accounts – see section 4 below.

The Group is reporting location-based and market-based scope 2 electricity data. Market-based footprint is based on the emissions from electricity 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 ('REGO') certificates.

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.

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.

See our Carbon Reporting Methodology Statement at www.barrattdevelopments.co.uk/sustainability/our-publications for more detail on the methodology and organisational boundaries applied.

2. Methodology

Scope 1 and 2 data are obtained directly such as by obtaining meter readings or using invoices from suppliers. Scope 3 emissions, such as upstream supplier emissions, are estimated based on total spend and carbon emissions in our completed properties. Carbon emissions in our completed properties are estimated based on plot-level dwelling emissions rates (DER) and number of properties completed.

The Group has used the greenhouse gas ('GHG') emission factors outlined in the BEIS 'UK Government Conversion Factors for Company Reporting', Version 1.2 November 2019 (2019: Version 1.01 June 2018) to convert activities undertaken into tonnes CO_2 equivalent. Supply chain emissions are estimated by applying supply chain emission factors published in the UK Government's 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance' (dated March 2019).

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.

See our Carbon Reporting Methodology Statement at www.barrattdevelopments.co.uk/sustainability/our-publications for more detail on the methodology applied.

3. Carbon intensity measure

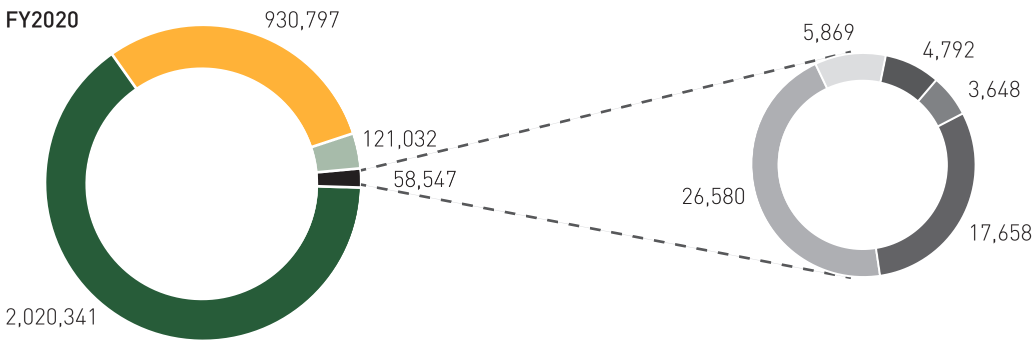
In order to capture the global warming impact of carbon dioxide as well as other greenhouse gases such as methane and nitrous oxide, greenhouse gas emissions are reported in carbon dioxide equivalent (CO_2e). Carbon intensity is measured as tonnes of scope 1 and scope 2 CO_2e per 100 sq.m. of homes and other properties legally completed in the year.

4. Science-based target

In January 2020, the Board approved our own new challenging science-based carbon reduction targets in line with efforts to limit global warming to 1.5ºC. In our own operations, we will aim to reduce combined scope 1 and 2 emissions by 29% by 2025 compared to the 2018 base year, through measures such as reducing diesel used by generators on site, amending our vehicle policies and implementing energy efficiency opportunities across our offices, sites, sales centres and show homes.

In addition, we are focused on the measurable steps that we can take to reduce both the embodied carbon in our supply chain and in-use carbon from our homes, including increasing the use of timber frame in home construction, which is a sustainable, low energy technology. We have set a target to reduce scope 3 carbon emissions by 11% from our supply chain and our homes by 2030 compared to the 2018 base year. The charts below illustrate the breakdown of scope 3 emissions by category, which shows the majority of supply chain emissions come from our purchased goods and services from suppliers. Therefore, partnerships with our suppliers is key to the delivery of our goals and we are engaging our suppliers and sub-contractors.

Scope 3 Emissions



Use of Sold Products
2019: 1,311,087
2020: 930,797

Upstream Transportation & Distribution
2019: 143,985
2020: 121,032

Purchased Goods & Services
2019: 2,305,017
2020: 2,020,341

Fuel and Energy Related Activities*
2019: 6,229
2020: 4,792

Waste generated in operations
2019: 4,123
2020: 3,648

Employee Commuting
2019: 19,068
2020: 17,658

End of Life Treatment of Sold Products
2019: 37,390
2020: 26,580

Business Travel
2019: 8,825
2020: 5,869

* 384 of FY20 tCO_2e of transmission and distribution losses from electricity and district heat and steam under category 6 have been assured to ISAE 3000 (revised) standard by an independent third party.

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Greenhouse gas emissions disclosure CONTINUED

5. Restatement of comparative year and base year

The Group seeks to provide comprehensive and useful reporting of emissions to the readers of its Annual Report and Accounts, and to evolve its reporting practices as necessary. The Group's approach was reviewed during the year in advance of setting new, challenging carbon reduction targets. The 2019 comparative year and the 2018 base year from which these targets have been set were restated to include all scope 3 emissions and to reflect an estimate of the end-to-end carbon emissions from the Group's activities. Scope 3 emissions previously disclosed were limited to business travel and transmission and distribution losses.

The Group engaged advisers to calculate estimated scope 3 emissions across all 15 categories outlined in the Corporate Value Chain (Scope 3) Accounting and Reporting Standard by applying the emissions factors outlined above to the Group's historical data from relevant activities.

The effect of these changes on the total greenhouse gas emissions for the comparative year and base year was:

Greenhouse gas emissions (tonnes CO_2e)		**2019**	2018
Total gross scope 1 & scope 2 emissions (as published)	Location based	**29,848**	31,560
	Market based	**28,243**	29,958
Scope 3			
As published		**7,896**	7,923
Increase in scope		**3,827,829**	3,849,505
Restated total gross scope 3 emissions		**3,835,725**	3,857,428
Restated total annual gross emissions	Location based	**3,865,573**	3,888,988
	Market based	**3,863,968**	3,887,386

Following the expanded reporting on scope 3 emissions, the Group has also restated carbon intensity to include only scope 1 and scope 2 emissions, but exclude scope 3 emissions such as business travel. The effect of this restatement is as follows:

		2019	2018	2017	2016	2015
Carbon intensity tCO_2e per $100m^2$ as published	Location based	**2.21**	2.28	2.52	2.57	2.82
	Market based	**2.12**	2.19	2.35	–	–
Less scope 3 emissions previously reported	Location based	**(0.46)**	(0.46)	(0.48)	(0.47)	(0.50)
	Market based	**(0.46)**	(0.46)	(0.48)	–	–
Restated carbon intensity (scope 1 and 2) tCO_2e per $100m^2$	Location based	**1.75**	1.82	2.04	2.10	2.32
	Market based	**1.66**	1.73	1.87	–	–

6. Assurance

Limited assurance over all scope 1 and 2 emissions and scope 3 business travel, transmission and distribution emissions is provided by a third party, DNV GL, to the ISAE 3000 revised standard. A copy of their assurance statement can be found at www.barrattdevelopments.co.uk/sustainability/our-publications.

Five year record and alternative performance measures

Five year record (Unaudited)

	2020	2019[1]	2018	2017	2016
Revenue (£m)	**3,419.2**	4,763.1	4,874.8	4,650.2	4,235.2
Profit before tax (£m)	**491.8**	909.8	835.5	765.1	682.3
Share capital and equity (£m)	**4,840.3**	4,869.0	4,597.7	4,322.2	4,010.2
Per ordinary share:					
Basic earnings per share (pence)	**39.4**	73.2	66.5	61.3	55.1
Dividend (interim paid and final proposed (pence)	**–**	29.1	26.5	24.4	18.3
Special cash payment proposed (pence)	**–**	17.3	17.3	17.3	12.4

1 The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

Definitions of alternative performance measures and reconciliation to IFRS

The Group uses a number of APMs which are not defined within IFRS. The Directors use these APMs, along with IFRS measures, to assess the operational performance of the Group as detailed in the Key performance indicators section of the Strategic Report on pages 4 to 7. Definitions and reconciliations of the financial APMs used to IFRS measures, are included below:

Gross margin is defined as gross profit divided by revenue:

	2020	2019[1]
Revenue per Consolidated Income Statement (£m)	**3,419.2**	4,763.1
Gross profit per Consolidated Income Statement (£m)	**614.3**	1,084.2
Gross margin	**18.0%**	22.8%

1 The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

Adjusted gross margin is defined as adjusted gross profit divided by revenue:

	2020	2019[1]
Revenue per Consolidated Income Statement (£m)	**3,419.2**	4,763.1
Adjusted gross profit per Consolidated Income Statement (£m)	**631.4**	1,087.4
Adjusted gross margin	**18.5%**	22.8%

1 The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

Operating margin is defined as profit from operations divided by revenue:

	2020	2019[1]
Revenue per Consolidated Income Statement (£m)	**3,419.2**	4,763.1
Profit from operations per Consolidated Income Statement (£m)	**493.4**	901.1
Operating margin	**14.4%**	18.9%

1 The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

Adjusted operating margin is defined as adjusted profit from operations divided by revenue:

	2020	2019[1]
Revenue per Consolidated Income Statement (£m)	**3,419.2**	4,763.1
Adjusted profit from operations per Consolidated Income Statement (£m)	**507.3**	904.3
Adjusted operating margin	**14.8%**	19.0%

1 The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

Net cash is defined in note 5.1.

Five year record and alternative performance measures CONTINUED

Definitions of alternative performance measures and reconciliation to IFRS CONTINUED

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:

	2020 £m	2019[1] £m
Profit from operations	**493.4**	901.1
Amortisation of intangible assets	**1.2**	–
Cost associated with legacy properties	**39.9**	3.2
CJRS grant income	**(26.0)**	–
Defined benefit past service cost	**–**	1.7
Share of post-tax profit from JVs and associates including loss on disposal of JVs	**28.3**	37.5
Earnings before amortisation, interest, tax, adjusted items and defined benefit scheme charges	**536.8**	943.5

	30 June 2020 £m	31 December 2019 £m	30 June 2019[1] £m	31 December 2018 £m	30 June 2018 £m
Group net assets per Consolidated Balance Sheet	**4,840.3**	4,849.1	4,869.0	4,551.7	4,597.7
Less:					
Other intangible assets per Consolidated Balance Sheet	**(101.1)**	(101.7)	(102.3)	(100.0)	(100.0)
Goodwill per Consolidated Balance Sheet	**(805.9)**	(805.9)	(805.9)	(792.2)	(792.2)
Current tax liabilities/(assets)	**2.8**	(0.4)	99.5	84.3	85.8
Deferred tax liabilities	**2.4**	16.2	17.6	21.5	25.3
Retirement benefit assets	**(3.5)**	(68.6)	(62.6)	(53.1)	(58.7)
Cash and cash equivalents[2]	**(619.8)**	(826.0)	(1,136.0)	(844.5)	(1,176.2)
Loans and borrowings[2]	**317.7**	399.3	377.7	465.4	384.9
Prepaid fees	**(6.1)**	(7.1)	(7.4)	(8.6)	–
Capital employed	**3,626.8**	3,454.9	3,249.6	3,324.5	2,966.6
Three point average capital employed	**3,443.8**		3,180.2		3,000.3

	2020	2019[1]
Earnings before interest, tax, adjusted items and defined benefit scheme charges (from table above) (£m)	**536.8**	943.5
Three point average capital employed (from table above) (£m)	**3,443.8**	3,180.2
ROCE	**15.6%**	29.7%

1 The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

2 The prior year balances for cash and cash equivalents and bank overdrafts have been re-presented in accordance with IAS 32 (see note 1.4).

Total gearing including land creditors is defined as land creditors and net debt/cash divided by net tangible assets:

	2020	2019[1]
Net cash (£m)	**(308.2)**	(765.7)
Land creditors (£m)	**791.9**	960.7
	483.7	195.0
Net assets (£m)	**4,840.3**	4,869.0
Less goodwill and other intangible assets (£m)	**(907.0)**	(908.2)
	3,933.3	3,960.8
Total gearing including land creditors	**12.3%**	4.9%

1 The Group has applied IFRS 16 using the modified retrospective approach and therefore comparatives have not been restated. Further information on the initial application of this standard can be found in notes 1.4 and 1.5.

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.

Glossary

ACM	Aluminium Composite Material
Act	The Companies Act 2006
Active outlet	A site with at least one plot for sale
AGM	Annual General Meeting
AIMCH	Advanced Industrialised Methods for the Construction of Homes
APM	Alternative performance measure
Articles	The Company's Articles of Association
ASP	Average selling price
ASPIRE	The Group's two-year graduate programme
BAME	Black, Asian and minority ethnic excluding white ethnic groups
Barratt	Barratt Developments PLC and its subsidiary undertakings
BBA	British Board of Agrément
BEIS	Department for Business, Energy and Industrial Strategy
BITC	Business in the Community
Brexit	The withdrawal of the United Kingdom from the European Union
BRICK	Barratt Risk and Internal Control Framework
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, prepaid fees, retirement benefit assets/obligations and derivative financial instruments
CBI	Confederation of British Industry
CCFF	COVID Corporate Financing Facility
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CITB	Construction Industry Training Board
CJRS	Coronavirus Job Retention Scheme
CMA	Competition and Markets Authority
CMI	The actuarial profession's Continuous Mortality Investigation
CO_2e	Carbon dioxide equivalent
Code	UK Corporate Governance Code issued in July 2018 (copy available from www.frc.org.uk)
COINS	Construction Industry Solutions (software used by the Group)
Company	Barratt Developments PLC
Connected Persons	As defined in the EU Market Abuse Regulation
COP26	The 26th session of the Conference of the Parties of the UN Framework Convention on Climate Change
COVID-19	Coronavirus Disease 2019
CRM	Customer Relationship Management
DBP	Deferred Bonus Plan
DECC	Department of Energy and Climate Change
DEFRA	Department for Environment, Food and Rural Affairs
DER	Dwelling emissions rates
DTRs	Disclosure Guidance and Transparency Rules
EBT	Barratt Developments Employee Benefit Trust
ELTIP	Employee Long Term Incentive Plan
EPC	Energy Performance Certificate
EPS	Earnings per share
ESG	Environmental Social Governance
EU	European Union
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FSC	Forest Stewardship Council
FTSE4Good	Equity index series of companies demonstrating strong ESG practices.
FY	Financial year ended 30 June
GDPR	General Data Protection Regulation
Group	Barratt Developments PLC and its subsidiary undertakings
GHG	Greenhouse Gas
GMP	Guaranteed Minimum Pension
HBF	Home Builders Federation
HMRC	HM Revenue & Customs
HR	Human Resources
IA	Investment Association
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIA	Chartered Institute of Internal Auditors
IIR	Injury incidence rate
IIRC	International Integrated Reporting Council
<IR>	Integrated Report
IR35	HMRC off-payroll working rules
ISA	International Standards on Auditing
ISAE	International Standard on Assurance Engagements
ISDA	International Swaps and Derivatives Association
ISO	International Organisation for Standardisation
JVs	Joint ventures
KPI	Key performance indicator

Financial Statements

Glossary CONTINUED

LGBT+	Lesbian, gay, bisexual, transgender and other gender expressions
LIBOR	The London Interbank Offered Rate
LTI	Long term incentive
LTPP	Long Term Performance Plan
LTV	Loan to Value
MHCLG	Ministry of Housing, Communities and Local Government
MMC	Modern methods of construction
MP	Member of Parliament
NED	Non-Executive Director
Net cash	Cash and cash equivalents, bank overdrafts, interest bearing borrowings and prepaid fees
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
NHS	National Health Service
NI	National Insurance
Non-recurring items	Costs associated with legacy properties, CJRS grant income, reversal of impairment/ impairment of inventories and non-productive site overheads expensed during the COVID-19 lockdown
NPPF	The National Planning Policy Framework
Ofcom	The regulator and competition authority for the UK communications industries
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
PPE	Personal protective equipment
PwC	PricewaterhouseCoopers LLP
PYEP	Prior year equivalent period
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
RICS	Royal Institution of Chartered Surveyors
ROCE	Return on capital employed calculated as described on page 238
RSPB	Royal Society for the Protection of Birds
RTPI	Royal Town Planning Institute
SAPS	Self-Administered Pension Scheme
Scheme	the Barratt Group Pension & Life Assurance Scheme
SCSS	Supply Chain Sustainability School
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 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
SWOT	Strengths, Weaknesses, Opportunities and Threats
TCFD	The Task Force for Climate-related Financial Disclosures
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 page 238, 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
WIP	Work in progress

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 2020.

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 collectively considered preparation and presentation of this report and concluded that it has been prepared and presented in accordance with the Framework.

Sustainability frameworks

Framework
The International Integrated Reporting Council's Integrated Reporting Framework

Purpose
Framework that is focused on articulating the value creation of an entity over time.

Framework
United Nations Sustainable Development Goals

Purpose
Outward-looking framework that covers the areas of the UN's 2030 Agenda focused on people, planet and prosperity.

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.

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.

Framework
Task Force on Climate-related Financial Disclosures ('TCFD') recommendations

Purpose
Recommendations for disclosing clear, comparable and consistent information about the risks and opportunities presented by climate change.

Our primary disclosures aligning with TCFD recommendations as we continue on our journey towards full alignment, 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.

Legal requirements

Framework
International Financial Reporting Standards ('IFRS')

Purpose
Global framework for how companies prepare and disclose their financial statements.

Framework
Companies Act 2006

Purpose
Company law in the UK.

Framework
UK Corporate Governance Code

Purpose
The standards of good practice for listed companies on board composition and development, remuneration, shareholder relations, accountability and audit.

Framework
Streamline Energy and Carbon Reporting ('SECR')

Purpose
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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The Registry
34 Beckenham Road
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BR3 4TU

Tel: 0371 664 0300

Statutory auditor
Deloitte LLP
London

Solicitors
Slaughter and May

Brokers and investment bankers
Credit Suisse Securities (Europe) Limited
Deutsche Bank AG

Company information
Registered in England and Wales.
Company number 00604574

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Financial calendar

Announcement	
2020 Annual General Meeting and Trading update	14 October 2020
2021 Interim Results Announcement	4 February 2021
Trading update	6 May 2021
Trading update	14 July 2021
2021 Annual Results Announcement	2 September 2021

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We printed this publication in the UK using biodegradable vegetable inks.

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jonesandpalmer.co.uk

www.barrattdevelopments.co.uk