

Barratt Developments PLC
Annual Results Announcement for the year ended 30 June 2015

Another year of excellent progress

£m unless otherwise stated	Year ended 30 June 2015	Year ended 30 June 2014	Change
Total completions ¹ (plots)	16,447	14,838	10.8%
Revenue	3,759.5	3,157.0	19.1%
Profit from operations	576.8	409.8	40.8%
Operating margin ² (%)	15.3	13.0	230bp
Profit before tax	565.5	390.6	44.8%
Basic earnings per share (pence)	45.5	31.2	45.8%
Return on capital employed ³ (%)	23.9	19.5	440bp

Highlights

- Significant increase in housing completions with the Group⁴ responding to strong consumer demand across all regions
- Private average selling price increased by 8.7% to £262,500 (2014: £241,600) driven by further changes in mix and house price inflation
- Profit before tax increased by 44.8% to £565.5m (2014: £390.6m)
- ROCE up 440 basis points to 23.9% (2014: 19.5%)
- Strong cash generation resulting in net cash at 30 June 2015 of £186.5m (2014: £73.1m)
- Continued to secure excellent land opportunities, approving 16,956 plots for purchase and maintained a controlled land supply of 4.5 years
- Significant step up in the delivery of strategic land with 17% of FY15 (FY14: 10%) completions from strategically sourced land

Record cash returns

- Total FY15 capital return of £250m (2014: £102m), equating to 25.1 pence per share (2014: 10.3 pence per share)

Capital returns for the financial year	Year ended 30 June 2015	Year ended 30 June 2014	Change
Total ordinary dividend per share (pence)	15.1	10.3	46.6%
Special cash payment per share (pence)	10.0	–	–
Total capital return per share (pence)	25.1	10.3	143.7%

Current trading

- Strong start to the new financial year with net private reservations per week of 257, up by 14.7% on the prior year
- Total forward sales including JV's up by 32.2% as at 6 September 2015 at £2,321.9m compared to last year

Commenting on the results David Thomas, Chief Executive of Barratt Developments PLC said:

“The strong operational and financial performance in FY15 reinforces the progress we have made over the past few years. Alongside our industry leading management team, I will continue to execute on our current strategy and focus on driving further efficiencies across the business.

The new financial year has started very well; we have a strong forward sales position and are making very good progress towards our FY17 targets of at least a 20% gross margin and at least a 25% return on capital employed.”

¹ Includes joint venture ('JV') completions in which the Group has an interest

² Operating margin is profit from operations divided by revenue

³ Return on capital employed ('ROCE') is calculated as earnings before interest, tax, operating charges relating to the defined benefit pension scheme and operating exceptional items, divided by average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit obligations and derivative financial instruments

⁴ In this Annual Results Announcement, Barratt Developments PLC is defined as the 'Company' and together with its subsidiary undertakings is defined as the 'Group'

Certain statements in this document may be forward looking statements. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Accordingly undue reliance should not be placed on forward looking statements.

There will be an analyst and investor meeting at 9.00am today at Deutsche Bank, 1 Great Winchester Street, London, EC2N 2DB. The presentation will be broadcast live on the Barratt Developments corporate website, www.barrattdevelopments.co.uk, from 9.00am today. A playback facility will be available shortly after the presentation has finished.

A listen only function will also be available.
Dial in: 0800 694 0257
International dial in: +44 (0) 1452 555 566
Access code: 6411124#

Further copies of this announcement can be obtained from the Company Secretary's office at: Barratt Developments PLC, Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire, LE67 1UF.

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Chairman's Statement

Delivering performance

This has been another year of excellent progress for the Group, delivering significantly improved financial returns, a consistently strong operating performance and continuing to invest in a disciplined way to underpin future growth.

It has also been a year of Board changes for us, successfully managing the succession of David Thomas as our new Chief Executive, and the appointment of Neil Cooper as Chief Financial Officer Designate.

The market for new homes remains strong across Britain, with demand continuing to exceed supply. The mortgage market has continued to improve both in terms of availability and rates, as well as Government support for the new build market.

Against this strong market backdrop we are delivering ongoing improvements in our own performance across all aspects of our operations.

We continue to focus on a rapid asset turn business model that is successfully driving up returns.

Our production capability was underlined as we increased completions by 11% to 16,447 during the year, overcoming a number of well publicised housing market challenges, particularly labour shortages.

The fact that we delivered our highest completion volumes for seven years whilst continuing to lead the industry in terms of quality and customer service standards, is a great testament to the resilience of our operating model, our build programme and the dedication of our people.

For the sixth consecutive year over 90% of our homebuyers would recommend us to a friend – an outstanding achievement.

As a result of the excellent operating performance, we were able to increase profit before tax by 45% and we finished the year with a net cash balance of £186.5m. We are well on the way to hitting our FY17 targets of a gross margin of at least 20%, and a ROCE of at least 25%.

Investing for the future

At the same time as delivering an excellent financial performance, we have continued to invest for the future. The land market has remained attractive in all regions and during the year we approved £957m of operational land commitments for 16,956 plots. All of our land approvals continue to meet or exceed our investment hurdle rates of a 20% gross margin and a 25% site ROCE.

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

Promoting housebuilding

The UK Government recognises the importance of additional housing as a public policy objective.

Help to Buy (Equity Loan) in England will be continued through to 2020 which provides good visibility in terms of our land investment strategy. The Government has increased its land release programme and measures to improve the planning system are being systematically implemented.

We will continue to work with the Government on their Starter Home Scheme that is aimed at supporting 200,000 homes over the next five years.

By building more homes we are not only helping to address the housing shortage but also generating substantial economic activity. During the year we estimate that we supported 53,000 jobs either directly, indirectly or induced.

Improving returns for our shareholders

The Board is pleased to propose a final dividend of 10.3 pence per share (2014: 7.1 pence per share). Under our Capital Return Plan, special cash payments are proposed in addition to ordinary dividends with the first special cash payment of £100m to be paid in November 2015, which equates to 10.0 pence per share.

The total proposed capital return for the year is therefore 25.1 pence per share (2014: 10.3 pence per share).

Capital Return Plan^A	Ordinary dividend £m	Special cash payment £m	Total Capital Return £m	Total pence per share
Paid to date^B	118	–	118	11.9p
Proposed payment				
November 2015	102	100	202	20.3p
Year to November 2016	175 ^{C, D}	125	300	30.2p ^D
Year to November 2017	192 ^{C, D}	175	367	36.9p ^D
Total proposed payment	469^{C, D}	400	869	87.4p^D
Total Capital Return Plan	587	400	987	99.3p^D

^A All final dividends and the special cash payment programme are subject to shareholder approval. The first special cash payment will be subject to shareholder approval at the Annual General Meeting in November 2015 and subsequent special cash payments will be subject to shareholder approval.

^B Comprises FY14 final dividend of 7.1 pence per share (£70m) and FY15 interim dividend of 4.8 pence per share (£48m).

^C Based on Reuters consensus estimates of earnings per share of 52.7 pence for FY16 and 57.9 pence for FY17 as at 4 September 2015 and applying a three times dividend cover in line with previously announced policy.

^D Based upon 30 June 2015 share capital of 995,452,663 shares for proposed payments.

Our employees

The outstanding progress made during the year would not have been possible without the capability and dedication of our employees.

I am delighted that so many of our team now share in our success through our Share Save scheme.

Our site managers were awarded 81 NHBC Pride in the Job Awards. This is the 11th year in succession that we have secured more Pride in the Job Awards than any other housebuilder.

We are also reliant for our success on over 12,000 subcontractors and suppliers. However, a shortage of high quality, skilled labour continues to test the industry and limit its output. We remain committed to investing in the skills and capability of our own employees and working with the industry, particularly our subcontractors, to address the longer term skill shortages the industry faces.

The Board

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

Bob Lawson who led the Group with distinction as Chairman for six years retired from the Board on 12 November 2014. We would like to thank him for his excellent service.

Mark Clare, who had been Group Chief Executive since 2006, decided that after nearly nine years he wished to retire from executive life and develop his non-executive career. The Board is grateful to Mark for the legacy he leaves in terms of the financial strength and operational capability of the Group; we wish him well for the future. Mark was succeeded as Chief Executive on 1 July 2015 by David Thomas, who joined us as Group Finance Director in 2009. We were pleased to have such a strong successor in place.

Neil Cooper has been appointed to succeed David and will join the Board on 23 November 2015 as Chief Financial Officer ('CFO'). Neil is currently Group Finance Director of William Hill PLC and was Group Finance Director of Bovis Homes Group PLC from 2007 until 2010, so he has a strong CFO track record as well as good knowledge of the housebuilding sector.

The Board is confident that the Executive Directors - David Thomas, Steven Boyes and Neil Cooper - supported by an exceptional senior management team, will lead the Group effectively.

The future

The market outlook is strong, we have a clear strategy in place and the management and operational capability to continue delivering improved returns. We look forward to another year of outstanding performance.

John Allan
Chairman

8 September 2015

Chief Executive's Statement

Our results

This has been another very successful financial year for the Group and we have delivered strong improvement across all our key financial metrics.

We increased profit before tax by 44.8% to £565.5m and our operating margin improved by 230 basis points to 15.3%. ROCE was up by 440 basis points to 23.9% as we continued to develop our fast asset turn model of a shorter owned land bank, deferred land payments, standardised product and the ability to sell through both our national brands on larger sites.

We have also significantly strengthened our balance sheet, ending the year with net cash of £186.5m (2014: £73.1m).

£m unless otherwise stated	Housebuilding	Commercial	Total
Total completions including JV's (plots)	16,447	–	16,447
Revenue	3,702.3	57.2	3,759.5
Gross margin (%)	19.0%	19.6%	19.0%
Profit from operations	570.7	6.1	576.8
Operating margin (%)	15.4%	10.7%	15.3%
Share of post-tax profit/(loss) from joint ventures and associates	45.9	(0.2)	45.7

Our businesses

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

Housebuilding

With a good level of demand for new homes across all six of our operating regions, our housebuilding business has focused on optimising sales volumes, getting the best prices for the homes we build, thereby driving financial performance. The sales rate for the year was 0.64 (2014: 0.69) net private reservations per active site per week, with a sales rate in the second half of 0.70 (2014: 0.71) net private reservations per active site per week.

There was strength across all regional markets, and in particular our Northern region delivered a year on year uplift in sales rate in the second half, despite a strong prior year performance.

We achieved a significant uplift in the rate of new site openings in the financial year. In total, the Group launched 176 (2014: 136) new developments including JV's and at 30 June was operating from 9% more sites with 399 (2014: 366) active sites (including JV's). Looking ahead, we expect to see further controlled growth in site numbers in FY16 of around 3%.

Completions for the full year including JV's were up 11% at 16,447 (2014: 14,838). Private completions increased by 7% to 12,746 (2014: 11,936), affordable completions were 2,853 (2014: 2,255), and JV completions in which the Group had an interest were 848 (2014: 647). This represents our highest level of completions in seven years, and Barratt London completed a record volume of 1,965 units including JV's.

We continue to increase the proportion of completions that are on more recently acquired higher margin land and these accounted for 76% (2014: 65%) of the total in the year. We have also continued to take advantage of the stronger market conditions to increase the rate of sale on older lower margin sites. This will bring forward our exit from these sites and help to drive up returns in the medium term.

Help to Buy (Equity Loan) has provided a very attractive opportunity for our customers, especially for first time buyers. During the year 31% (2014: 31%) of our total completions (excluding JV's) used the scheme. The contribution from investor sales, which are predominantly in our London region, fell slightly in the year to 11% (2014: 12%) of total completions.

Our total average selling price ('ASP') increased by 7% to £235,000 (2014: £219,900) in the financial year with our private average selling price increasing by 9% to £262,500 (2014: £241,600). This year on year increase reflects both further mix changes and underlying house price inflation. We expect to see some further increase in ASP driven by changes in mix in FY16, with the total ASP in our owned land bank increasing to £252,000 as at 30 June 2015 (2014: £227,000).

Affordable average selling price increased by 7% to £112,300 (2014: £105,300) reflecting changes in mix, with affordable completions increasing to 18% (2014: 16%) of total completions.

Our JV's have performed well and our share of profits from JV's in FY15 for the housebuilding business increased to £45.6m (2014: £40.8m). As at 30 June 2015 we were selling from 16 (2014: 8) JV sites and expect the share of profits from JV's to increase to around £60m in FY16. For our London region, the proportion of completions from JV sites versus non-JV sites is expected to increase significantly in FY16, in particular driven by completions from Fulham Riverside in Fulham, Enderby Wharf in Greenwich and Nine Elms Point in Vauxhall.

Targeted land buying

A key driver of the transformation of our business in recent years has been our land investment strategy. Since 2009 we have approved the investment of £4.8bn in land for new homes and this has boosted returns and led to increased completion volumes.

During the year conditions in the land market remained encouraging in terms of the availability of attractive high return sites across all regions. We successfully continued our investment strategy of targeting high quality operational land that meets or exceeds our minimum hurdle rates set on acquisition; a 20% gross margin and a 25% site ROCE. In the year we committed to land expenditure of £957.0m (2014: £1,198.1m) covering 16,956 plots (2014: 21,478 plots), the appropriate level to maintain our controlled land bank at our target of c. 4.5 years. As at 30 June 2015 our owned and controlled land bank stood at 70,523 plots equating to 4.5 years production.

Public land remains an excellent source of land for the Group. The Government has increased its commitment to releasing public sector land with 150,000 plots to be delivered by 2020. In the more competitive South East and London land markets, public land is an important alternative source of land supply. Barratt is very well positioned to maximise this opportunity with our unique public sector land team and membership of all HCA Delivery Partner Panels. We have the expertise and the capability to secure and deliver what are often large and highly complex developments. Our track record demonstrates this with 70% of bids won over the past year. Our public land developments achieve at least 20% hurdle rate gross margins with ROCE generally significantly higher than our 25% hurdle rate, reflecting the attractive deferred payment terms often available.

As we progress the transformation of our operational land bank, the Group is focused on securing our longer term land supply. Through the acquisition of options over strategic land we are focused on securing our land pipeline out to 2020 and beyond, whilst minimising risk and capital employed. We made further good progress in the year, with a strategic portfolio of 71,600 plots (2014: 69,200 plots) equating to 284 sites (2014: 260 sites). We have seen a significant step up in the delivery of strategic land, with 17% (2014: 10%) of total completions being delivered from strategically sourced land in the year, progressing towards our target of 20% in FY17.

We have been encouraged by the capability of our business to bring forward land through the planning system within the context of the National Planning Policy Framework. We now have full or outline planning permission in place for all of our expected completions in FY16 and 89% of expected production in FY17.

Improving efficiency and reducing costs

Improving the efficiency of our operations and controlling costs has continued to be a high priority for the Group in a recovering market. We are pleased that overall build cost inflation for FY15 has been limited to c. 3.5%, in line with expectations, and for FY16 we expect build costs to increase by a similar amount.

We have a robust and carefully managed supply chain with 85% of our build materials sourced through our centralised procurement function. We have effectively sourced the raw materials required to underpin our controlled volume growth and over 90% of our material costs are now fixed until the end of FY16.

On labour, whilst we have seen an increase in the supply of skilled subcontractors over the past year, there remains an industry shortage, with increases in labour costs remaining the largest driver of overall build cost inflation. We are well placed and continue to have the necessary labour to meet our operational and quality requirements. We are also seeking to increase efficiency through the use of timber frame on some of our sites and the use of alternative off-site manufacturing options, including closed panel roof solutions.

More generally on costs, we have continued to focus on the broader efficiency of our business with process reviews being undertaken in the areas of commercial, sales and marketing.

Commercial developments

Outside London and the South East, the commercial occupier market is showing signs of increasing confidence. Since the downturn, demand has been mainly satisfied by the availability of second-hand space and with this accommodation now largely filled, occupiers have turned their attention to new commercial build. This is presenting cost challenges as a result of the reduction in construction capacity following the downturn.

Demand is currently driven by e-commerce logistics requirements and in the last twelve months we have seen the return of institutional funding to this sector. We have used institutional funding for 600,000 sq. ft. of logistics buildings, with a further 200,000 sq. ft. in the immediate pipeline. Wilson Bowden Developments is also now focusing on mixed use residential and leisure schemes, such as in Hounslow, where together with Barratt London, it has entered into a conditional contract with the Local Authority to deliver 120,000 sq. ft. of commercial leisure facilities and 530 flats.

Commercial development revenue was £57.2m (2014: £14.4m) with an operating profit of £6.1m (2014: loss of £1.0m). Our Hinckley scheme, which comprises 200,000 sq. ft. of retail and leisure space, achieved completion of the foodstore element during the year with full project completion due in FY16 along with our Derby development, which comprises a hotel and 46 flats.

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

Our objectives

Our strategic objectives remain clear – to continue to build the Group's profitability, drive return on capital employed and maintain an appropriate capital structure, whilst offering attractive cash returns to our shareholders.

We have made further good progress against these objectives in the year with gross margin increasing by 220 basis points to 19.0% (2014: 16.8%) and ROCE increasing by 440 basis points to 23.9% (2014: 19.5%). The Group ended the year with net cash of £186.5m (2014: net cash £73.1m) and land creditors at 35% (2014: 33%) of the owned land bank.

We continue to make very good progress towards achieving our FY17 targets of at least 20% gross margin and at least 25% ROCE and are committed to delivering them as early as possible. In particular, the run-down of the Group's low or zero margin legacy assets will drive improvements in ROCE.

This strong financial performance supports the Group's Capital Return Plan and dividend policy. We are delighted to propose a final dividend of 10.3 pence per share (2014: 7.1 pence per share) resulting in a total ordinary dividend for the year up 46.6% to 15.1 pence per share (2014: 10.3 pence per share) and the first of our special cash payments totalling £100m, equivalent to 10.0 pence per share, payable in November 2015. This reflects our ordinary dividend policy of the dividend being covered three times by earnings, supplemented by the special cash payments to November 2017 totalling £400m.

Health and safety

Increased activity levels across the industry in terms of site openings and production volumes combined with shortages of skilled staff has increased the risk of accidents on sites. In the twelve months to 30 June 2015 we had 381 (2014: 379) reportable incidents per 100,000 employees. We remain focused on continuing to enhance health and safety performance across our business. We have established a Board level Safety, Health and Environment Committee in the year, had our safety management status independently assessed by the British Safety Council which awarded us five star status, and introduced a number of new initiatives including our 'Five Steps to Safety' programme to promote the importance of a safe working environment.

Our priorities

To continue to deliver leading financial performance and maximise sustainable returns for our shareholders by focusing upon our clear set of priorities – Customer First, Great Places, Leading Construction and Investing in our People.

Each of these priorities has a work plan to drive improvements across the business and they are supported by a set of principles that underpin all of our operations.

Customer first

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

We are the only major national housebuilder to achieve the Home Builders Federation Five Star quality status for six consecutive years, with over 90% of customers being prepared to recommend us to a friend.

We are continuing to improve the quality and efficiency of the way in which we deal with customers through the sales process. During the year new customer service systems were rolled out to divisions to speed up and improve the efficiency of our service and a new customer contact centre was put in place.

We have introduced a 'Future Homes' project to inform design direction in terms of customer trends and preferences. As well as carefully defining customer segments and their design preferences, we are working with The Architects' Journal to select new house design features to meet these requirements.

Great places

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

During the year we made significant progress in terms of securing the right operational land, continued our success in winning public sector land, and increased investment in longer term strategic sites.

We are now using the Design Council/CABE Building for Life process extensively and are winning more design awards than any other major housebuilder. We have now achieved Building for Life awards on 33 sites.

Leading construction

We are focused on a 'right first time' approach as the most efficient way of operating across all aspects of our building processes with a continuous focus on improving build quality. During the year we analysed thousands of comments from our customers and used them to identify where we needed to enhance the quality of some components. This 'getting it right first time' approach will drive improved efficiency through reducing remedial costs and improve customer satisfaction.

We are implementing a number of quick wins in terms of lowering build costs, for example we expect to build c. 1,300 timber frame homes in FY16. Other innovations in the build process implemented during the year include new roofing and flooring solutions and we have started to trial other new products having assessed over 100 offsite construction suppliers. We are also looking to embrace the best methods of on and offsite construction to increase efficiency.

Our site managers continue to lead the industry and during the year we won 81 NHBC Pride in the Job awards. This was the 11th year in succession that our site managers have won more of these awards than any other company.

Investing in our people

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

We have continued with our graduate and apprentice programmes and have recruited our largest ever intake of future talent. In addition, we have trained or are training 60 employees through our Foundation Degree Programme with Sheffield Hallam University.

We are piloting a Regional Academy in our East region targeting a wider mix of potential employees and are continuing to support the wider industry focus on addressing the skills shortage.

Current trading

The sales performance across the Group has been strong for the first 10 weeks of FY16, with net private reservations per week of 257 (FY15: 224), resulting in average net private reservations per active site per week of 0.68 (FY15: 0.62).

Our total forward sales (including JV's) as at 6 September 2015 were up 32.2% on the strong prior year figures at a value of £2,321.9m (7 September 2014: £1,755.7m), equating to 10,755 plots (7 September 2014: 8,507 plots).

Forward sales	6 September 2015		7 September 2014		Variance
	£m	Plots	£m	Plots	%
Private	1,332.3	4,788	1,145.6	4,458	16.3
Affordable	512.2	4,487	360.3	3,224	42.2
Sub total	1,844.5	9,275	1,505.9	7,682	22.5
JV	477.4	1,480	249.8	825	91.1
Total	2,321.9	10,755	1,755.7	8,507	32.2

We expect FY16 full year completion volumes for the Group to be around 15,750, plus around 1,000 completions delivered through our JV portfolio giving total completions of around 16,750 (FY15: 16,447) in line with our target of controlled volume growth.

Outlook

The fundamentals for the market remain very positive with strong demand for new housing across Britain. The lending environment is supportive with the borrowing rates on offer to our customers remaining at extremely low levels. The Government is committed to increasing the supply of new homes, we have greater clarity on housing policy, and in particular believe the extension of the Help to Buy (Equity Loan) scheme through to 2020 in England will support an increase in new housing supply. The land market remains attractive and we continue to secure excellent new development opportunities across all regions that at least meet our minimum hurdle rates.

I am proud to lead our first class team and we are all determined to build on our outstanding operational and financial performance and to drive further efficiencies across the business. Current trading is strong, we are confident on the outlook, and expect to make further good progress in the current financial year.

David Thomas
Chief Executive
8 September 2015

Priorities and principles in action

Building excellence by putting customers first

Our strategy

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

KPI

- HBF 5 Star Homebuilder¹

¹ Key performance indicator used to assess performance for annual incentive scheme

Key highlights

- Mortgage market continues to improve
- Only national housebuilder to be awarded HBF 5 Star status for six consecutive years
- Continue to invest in customer service
- Acting upon research into customer needs

The challenge

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

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

Affordability of homes and accessibility to home ownership

We build a wide range of product, from homes for first time buyers to larger family homes. Our private average selling price for the year was £262,500 (2014: £241,600); £246,800 (2014: £222,200) outside of London.

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

We delivered 2,853 (2014: 2,255) affordable homes built for registered providers, equating to 18% (2014: 16%) of our total completions in the year. We have a team which engages with housing association partners at local, regional and national levels.

Customer satisfaction

We place customers at the heart of everything we do, with their satisfaction being a key performance indicator at all levels of management. All of our team are responsible for delivering customer satisfaction and we have developed a Customer Service Academy comprising both classroom and online training to ensure that our employees understand how to deliver right first time, every time. During the year, 513 employees have participated in this programme. We have also launched a new Code of Conduct for our subcontractors to support customer satisfaction.

We are pleased that we have increased our completions delivery, including JV's, by 11% during the year whilst retaining our HBF 5 Star status for the sixth successive year, the only national housebuilder to do so. We regularly review the results from the NHBC customer survey with the insights gained being used to aid our decision making.

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

Increasing customer insight

To ensure that we continuously reflect our customers' needs we have undertaken customer research in a number of areas during the year including demographics and home design. In response to our research we have launched a downsizer range to meet the needs of older property owners approaching retirement. We are considering current and future trends in home design to influence our design strategy and have also conducted a competition for architects with The Architects' Journal to design future features for our homes.

Building excellence by developing great places

Our strategy

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

KPI

- Owned and controlled land bank 4.5 years (2014: 4.7 years)¹
- Land approved for purchase 16,956 plots (2014: 21,478 plots)^{1,2}

¹ Key performance indicator used to assess performance for annual incentive scheme

Key highlights

- Continue to see high quality land opportunities across all regions
- Transformation of our land bank to more recently acquired higher margin land is well progressed
- Detailed or outline planning permission on all of FY16 expected completions and 89% of FY17 expected completions
- All new developments designed using the Design Council Building for Life criteria

The challenge

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

Securing the best land

We continue to see high quality land opportunities across all regions that at least meet our required hurdle rates of a gross margin of 20% and a site ROCE of 25%³.

Land approved for purchase	Year ended 30 June 2015	Year ended 30 June 2014
Total	£957.0m	£1,198.1m
Total (plots)	16,956	21,478
Location		
- South: North (by value) ⁴	52% : 48%	45% : 55%
- South: North (by plots) ⁴	40% : 60%	35% : 65%
Government: Private (by plots)	30% : 70%	18% : 82%
Houses: Flats (by plots)	82% : 18%	84% : 16%

² Excluding JV's

³ Site ROCE on land acquisition is calculated as site operating profit (site trading profit less overheads less allocated administrative overheads) divided by average investment in site land, work in progress and equity share

⁴ South relates to Southern, West and London regions, North relates to Northern, Central and East regions

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

We continue to target a regionally balanced land portfolio with a supply of owned and controlled land of approximately 4.5 years. As at 30 June 2015, we achieved our target with a 4.5 year land supply (excluding JV's) comprising 3.3 years of owned land, and 1.2 years of conditionally contracted land.

Our land bank

The transformation of our land bank from older low margin land to more recently acquired high margin land is well progressed. As at 30 June 2015, 90% (2014: 84%) of our owned and controlled land is high margin, newer land. On sites completed to date that were acquired since 2009 we have generated a gross margin of 21% and a 38% site ROCE, demonstrating sustained delivery above our hurdle rates upon more recently acquired land.

Whilst maintaining a first class operational land bank, we are also focused on securing a longer term land pipeline, in particular through the acquisition of options over strategic land. In the year, 5,239 plots (2014: 5,205 plots) were transferred from strategic land to our owned land bank. With 17% of FY15 completions from strategically sourced land, we are on track to deliver our target of c. 20% of our completions to be delivered from strategic land in FY17.

We use land creditors to defer payments for land acquisition where possible to drive a higher ROCE and as at 30 June 2015, the land creditor position totalled £999.0m (30 June 2014: £779.4m) representing 35% (30 June 2014: 33%) of the owned land bank. We are targeting land creditors at around one third of the owned land bank for FY16.

Our land bank	30 June 2015	30 June 2014
Owned and unconditional land bank (plots)	51,640	47,892
Conditionally contracted land bank (plots)	18,883	18,678
Owned and controlled land bank (plots)	70,523	66,570
Number of years' supply based upon completions in the financial year	4.5 years	4.7 years
JV's owned and controlled land bank (plots)	6,325	7,163
Approved land (plots)	4,625	5,326
Strategic land (acres)	c. 11,100	c. 10,900
Potential delivery from strategic land (plots)	c. 71,600	c. 69,200
Land bank carrying value	£2,826.1m	£2,348.4m
Average housebuilding cost per plot	£52,200	£46,400
Cash expenditure on land in the financial year	£970.0m	£814.0m

Effective planning permission

An important part of bringing land into production is the planning process. Following the implementation of the Government's National Planning Policy Framework, we welcome the further measures put in place to ensure local authorities have a five-year land supply. This is leading to an improved dialogue between local authorities and our divisions. Nevertheless, the planning process remains a lengthy one and affects the speed at which housing supply can increase.

We have maintained good momentum in achieving planning consents, and during the year we secured planning on 17,092 plots (2014: 21,004 plots). We now have full or outline planning permission in place for all of our expected completions in FY16 and 89% of expected production in FY17.

Designing great places

Designing great places is fundamental to our business: our customers want to live in great places; the vendors of the land we purchase want to work with developers who leave behind a legacy of design quality; and local people want developments that enhance their communities. We are focused upon placemaking throughout our business and use the Design Council/CABE Building for Life process in the design of all new developments, as well as our internal 'Great Places' guidance and the expertise of our urban design team. We also review our development layouts to ensure they achieve both design quality and efficient land use.

We have been awarded Building for Life commendations on 33 sites, significantly more than other housebuilders.

Building excellence by leading construction

Our strategy

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

KPI

- Total completions including joint ventures 16,447 units (2014: 14,838 units)

Key highlights

- Focused on a 'right first time' approach to drive operating efficiency
- Long term relationships with suppliers and subcontractors
- Considering and implementing new construction methods where appropriate

The challenge

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

Delivering high quality homes

We put customer satisfaction at the heart of our construction processes with a focus upon getting it right first time, which also drives operating efficiencies in the build process. Our site managers continue to lead the industry, winning 81 NHBC Pride in the Job Awards. This is the 11th consecutive year that we have won more of these awards than any other housebuilder.

Partnering with our supply chain

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

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

We purchase substantial amounts of timber and have implemented a sustainable procurement and timber sourcing policy. Since December 2013, all timber and timber products that we use are FSC/PEFC certified and originate from well managed forestry sources.

Innovating to improve efficiency

We constantly review the latest available technologies to assist us in meeting evolving regulations, increases in predicted demand and material availability.

The majority of our homes are built with traditional brick and block construction, although we are increasing the use of timber frame on some of our sites and expect to build c. 1,300 homes using this method during FY16.

To increase efficiency we are also looking to embrace new construction methods and have assessed over 100 off site suppliers. An example of an innovation in the build process that we have implemented during the year is the use of closed panel roofs to replace attic trusses or traditional trusses on some sites. These have a number of benefits:

- Health and safety – the amount of work carried out at height is significantly reduced;
- Efficiency – the process reduces waste generated on site, helps to reduce on site traffic movements and is less impacted by inclement weather;
- Speed – taking a roof from wall plate to watertight will generally take a day compared to a week using traditional means;
- Quality – factory controlled quality assurance; and
- Extra floor space – additional space is created.

We have engaged with our suppliers to find, understand and consider innovative products and services from across the supply chain.

We are also researching smart technologies and their use in future homes to improve the ability of customers to save energy and are currently undertaking divisional pilots of smart thermostats, which give customers the ability to remotely control their heating systems.

Building excellence by investing in our people

Our strategy

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

KPI

- Upper quartile employee engagement at 78% (2014: 78%)^{1,2}

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

² Key performance indicator used to assess performance for annual incentive scheme

Key highlights

- Continue to invest in our 'Future Talent' strategy
- Committed to providing an inclusive working environment
- Award winning apprenticeship training programme

The challenge

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

Attracting people to our industry

Together with other housebuilders we are working with the HBF and the Construction Industry Training Board to improve the image of housebuilding as a career choice and promote the career opportunities in the sector through the recruitment of experienced workers, targeted online resources, a regional academy pilot and by becoming a patron of the West Midlands Construction Industry University Technical College.

Employee retention

During the year staff turnover increased to 19% (2014: 16%) reflecting the demand and opportunities for skilled employees. We therefore continue to focus upon developing talent within our business, including succession planning, to ensure that we have the necessary skills within our business for continued operational delivery.

Developing talent

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

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

We continue to invest in and develop our 'Future Talent' strategy. In February 2014, we targeted the recruitment of 1,100 graduates, apprentices and paid interns over three years. Whilst we have not yet achieved this target, we have made good progress having recruited 792 including those who will join us during FY16.

Our apprentice scheme was externally recognised through the award of the 2014 National Apprenticeship scheme BT Macro Employer of the year for employers with over 5,000 employees.

Our two-year graduate programme continues to be a success. We were delighted to be ranked first in The Job Crowd's 'Top Companies For Graduates To Work For' across all companies in 2014.

We offer a number of entry level programmes in addition to our award winning graduate and apprentice programmes. Our paid undergraduate internship programme supports students studying relevant degrees through a 48-week industrial placement. During the programme, interns complete 'mini rotations' to learn about our business before specialising in one area for the remainder of the year. Those who perform well are offered a permanent position with us upon completion of their degree.

We also have 'accelerated programmes' in sales or construction for graduates who want to fast-track their learning in a job role, with the aim of progressing through to management positions in the future.

Engaging our people

As a business we believe that an engaged workforce is critical to our success. We conduct an annual employee engagement survey in order to gain valuable insight into how our people feel about working for us. We are delighted that in our annual employee engagement survey we achieved our upper quartile target with an index of 78%, which is above the UK employers' norm of 72%. We develop and implement action plans following each survey to strengthen our business and to continue our position of being an employer of choice.

We have a 'Get Recognised' programme which allows our people to be rewarded by colleagues for a job well done with instant awards of £100 cash or a days holiday. We also recognise the outstanding contributions of our people through quarterly awards for sales staff, apprentices and site managers as well as via individual and team excellence awards. Around 1,000 awards were made through these schemes in the last year.

Diversity and inclusion

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

The table below shows the number of men and women employed, as at 30 June 2015, across our business split between PLC Directors, Senior Managers and Employees.

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

	30 June 2015					30 June 2014				
	Men		Women		Total	Men		Women		Total
	Number	%	Number	%	Number	Number	%	Number	%	Number
PLC Directors	6	75	2	25	8	6	75	2	25	8
Senior Managers	250	87	37	13	287	238	88	34	12	272
Employees	3,875	68	1,801	32	5,676	3,674	67	1,801	33	5,475
Total workforce	4,131	69	1,840	31	5,971	3,918	68	1,837	32	5,755

A diversity and inclusion regional pilot increased applications from, and the recruitment of, a more diverse workforce in our East region. We now plan to apply this across our business during the next year to help increase the diversity of our people.

Human rights

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

Keeping people safe

Our strategy

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

KPI

- Health and safety compliance rate 96% (2014: 96%)¹
- Reportable injury incidence rate per 100,000 employees including subcontractors 381 (2014: 379)

¹ Key performance indicator used to assess performance for annual incentive scheme

Key highlights

- Achieved target health and safety compliance rate
- Achieved five star status in British Safety Council Occupational Health and Safety Audit
- Received 7 commended and 1 highly commended NHBC Health and Safety Awards and a special award for our 'Five Steps to Safety' initiative

The challenge and our response

Increased activity levels across the industry in terms of both site openings and production volumes combined with shortages of skilled staff has increased the risk of accidents on sites. We seek to maintain stringent safety standards and a continuous focus on health and safety issues. Getting the basics right, good leadership, and commitment to health and safety from all levels of management is what delivers good health and safety performance in our business. In order to enhance the leadership of health and safety in our business, a Board level Safety, Health and Environmental Committee was established in July 2014.

Our Safety, Health and Environmental management system ('SHE') is subject to continuous review and improvement. All of our trading divisions are certified to OHSAS 18001 and adhere to our SHE guidelines with their ongoing compliance being verified by a programme of internal and external audits. During the year, we carried out 6,269 (2014: 5,788) monitoring visits and achieved an average compliance rate of 96% (2014: 96%).

Our overall aim is to have an injury free working environment, and whilst we believe that all injuries are avoidable, our objective for the year was to have an improvement in our reportable Injury Incidence Rate ('IIR'). During the year, our IIR increased by 1% to 381 (2014: 379) per 100,000 persons employed (including subcontractors). Whilst we are disappointed that our IIR has not reduced during the year, we have continued to introduce new initiatives to improve our health and safety performance including a 'Five Steps to Safety' programme for site workers. We also engaged the British Safety Council to conduct an Occupational Health and Safety Audit during the year, and following this we were awarded five star status. This audit highlighted the importance of a proactive approach to safety management and encouraging the promotion of outstanding individual site initiatives.

Being a trusted partner

Our strategy

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

KPI

- Percentage of land plots approved for purchase from public sector sources 30% (2014: 18%)

Key highlights

- Continue to work with a variety of partners to bring forward land for development
- Proven track record of delivery of challenging public sector sites
- Continue to invest in the relationship with our suppliers and subcontractors

The challenge and our response

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

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

We also form long term partnerships with the public sector and work to unlock challenging sites by finding solutions, sharing best practice and transferring knowledge. We have worked extensively with the Homes & Communities Agency ('HCA') and Greater London Authority ('GLA') to deliver new housing. In the period 2011-2015, we approved purchases of 22 sites from the HCA and GLA, which will accommodate c. 3,800 homes with a development value of c. £1.0bn. We have also acquired sites from many other Government departments, local authorities and NHS bodies. This year, 3,950, 25% (2014: 3,928, 28%) of our housing completions were developed on public land. We have 5,113 plots (2014: 3,913) approved for purchase, representing a development value of c. £1.3bn (2014: c. £1.0bn).

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

Building strong community relationships

Our strategy

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

KPI

- Percentage of active developments that have held a public consultation 54% (2014: 46%)

Key highlights

- Estimated that our activities support around 53,000 jobs directly, indirectly or induced in the economy
- Work closely with local authorities
- Actively engage with local communities

The challenge and our response

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

As a Group we contribute social and economic benefits to the communities in which we are working, which are far reaching and long lasting. By building more homes we are generating substantial amounts of economic activity and we estimate that during the year we supported around 53,000 jobs either directly, indirectly or induced.

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

Engagement with local communities to seek to address any impact that our developments may have on the environment is also important. By holding public consultations, we invite stakeholders to talk to our specialist planners and architects about their concerns and aspirations for our developments. We believe that a genuinely collaborative approach will deliver more land and housing. 54% (2014: 46%) of our active developments have held a public consultation.

Our research shows that homeowners in new build developments are more likely to socialise with their neighbours. We therefore support a range of local initiatives, community websites and resident days to strengthen these links on our developments and help members of new communities to get to know each other.

We continue to support and promote a wide range of charitable giving and community volunteering initiatives with each division focusing on the charitable activities that best reflect the needs of their local community and the issues that impact upon their employees. Our graduates actively engage with communities across the UK through the Prince's Trust and for the second consecutive year they have won the Million Makers award for innovation and entrepreneurship with their initiative to produce a 'Building Careers Workshop'.

Safeguarding the environment

Our strategy

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

KPI

- Construction waste segregated on site for recycling 95% (2014: 94%)
- Total waste generation per legal completion 6.63 tonnes (2014: 6.39 tonnes)

Key highlights

- Committed to developing the sustainability features of our homes through a 'Fabric First, Fit and Forget' strategy
- Focused on waste reduction and energy performance improvements in the year
- Recruited a biodiversity adviser as part of our national partnership with the RSPB

The challenges and our responses

Increasing the energy efficiency of the homes we build

We are committed to delivering energy efficient homes that are both economically and environmentally sustainable, providing real benefits to our customers and the community. During the year, we have continued to develop the sustainability features of our homes and developments. Our strategy for delivery remains 'Fabric First, Fit and Forget', minimising the need for complicated renewable technologies and helping our customers experience the benefits of energy and water efficiency with minimal complexities.

Minimising our environmental impact

We seek to minimise the environmental impact of our operations by using resources efficiently and reducing waste and carbon in our construction processes. This year we have focused upon the waste and energy performance of our divisions with divisional sustainability action plans being created.

We segregate waste for recycling as standard across our sites and have achieved a recycling rate of 95% (2014: 94%) for the year. We remain focused on the quantity of waste generated, which disappointingly has increased in the year to 6.63 tonnes (2014: 6.39 tonnes) per legal completion this year. We have also developed a cross discipline Waste Reduction Plan to seek to reduce waste and are reviewing our waste policy.

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

Greenhouse gas emissions (Tonnes CO_{2e})	Year ended 30 June 2015	Year ended 30 June 2014
Scope 1 emissions	18,224	17,315
Scope 2 emissions	11,843	14,053
Scope 3 emissions	9,150	8,981
Total	39,217	40,349
Tonnes of emissions per 1,000 sq. ft.	2.36	2.78

Our operational greenhouse gas emissions per 1,000 sq. ft. have reduced to 2.36 (2014: 2.78) tonnes of emissions per 1,000 sq. ft. this year. We continue to drive awareness and seek to improve energy and greenhouse gas performance across our business.

Enhancing habitats, biodiversity and local environments across our developments

During the year we built 57% (2014: 63%) of our homes on brownfield sites.

We have recruited a biodiversity adviser as part of our national partnership with the RSPB, the UK's largest nature conservation charity. We have revised our internal landscape design guidance and our 'Great Places' guide for our operating divisions with ecology and biodiversity at its core, to help ensure that they are considered from project inception through to completion. During the year within our developments, 634 (2014: 611) hectares of open space were created and 554,819 (2014: 866,819) trees or shrubs were planted or retained.

Ensuring the financial health of our business

Our strategy

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

KPI

- Profit before tax £565.5m (2014: £390.6m)¹
- Earnings per share 45.5 pence (2014: 31.2 pence)²
- Return on capital employed 23.9% (2014: 19.5%)²
- Total shareholder return² for the three years ended 30 June 2015 362.9% (three years ended 30 June 2014: 239.3%)
- Year end net cash £186.5m (2014: £73.1m)
- Land creditors as a percentage of owned land bank 35% (2014: 33%)

¹ Key performance indicator used to assess performance for annual incentive scheme

² Key performance indicator used to assess performance for long term incentive schemes

Key Highlights

- Continued to build profitability, increasing gross margin by 220 basis points to 19.0%
- Achieved a 440 basis points increase in ROCE to 23.9%
- On track for our FY17 targets of at least 20% gross margin and at least 25% ROCE
- Maintained an appropriate capital structure

Our performance

We aim to deliver sustainable shareholder value through the implementation of our priorities and the delivery of our key financial objectives of building the Group's profitability, driving return on capital employed and maintaining an appropriate capital structure. We have made significant progress on these objectives during the year, achieving a 220 basis points increase in gross margin, a 44.8% increase in profit before tax and a 440 basis points improvement in ROCE to 23.9%.

Profit for the year

The improved performance in both our housebuilding and commercial developments businesses resulted in an operating profit of £576.8m (2014: £409.8m) at an operating margin of 15.3% (2014: 13.0%).

The finance charge for the year was £57.0m (2014: £59.7m), consisting of a cash finance charge of £27.4m (2014: £26.7m) and £29.6m (2014: £33.0m) of non-cash charges.

Profit before tax for the year was £565.5m (2014: £390.6m), the highest profit the Group has ever achieved. The increase of £174.9m was driven by increased completion volumes, a greater proportion of completions from more recently acquired land and some underlying house price inflation.

The tax charge for the year was £115.2m (2014: £85.2m). The rate of tax assessed for the year is slightly below the standard effective rate of corporation tax at 20.75% (2014: 22.5%).

Profit after tax for the year was £450.3m (2014: £305.4m), and a basic earnings per share of 45.5p (2014: 31.2p).

Return on capital employed

The Group's fast asset turn model of a shorter consented land bank, deferred payment terms, standardised product, and the ability to sell through both our national brands on larger sites, is focused on driving ROCE.

For FY15 ROCE increased by 440 basis points to 23.9% (2014: 19.5%), and we are confident of delivering further good progress on ROCE, and achieving our FY17 target of at least 25% ROCE, as we continue the transformation of the land bank, and run down the Group's low or zero margin legacy assets.

Net cash and capital structure

We maintain an appropriate capital structure, with land and long term work in progress funded by shareholders' funds and land creditors, and minimal net cash at our year end. During the year we generated £184.0m (2014: £242.3m) of cash from our operations resulting in net cash at 30 June 2015 of £186.5m (2014: £73.1m). At 30 June 2015 land creditors were 35% (2014: 33%) of the owned land bank.

On 17 December 2014 the Group amended its financing agreements relating to the £700m revolving credit facility ('RCF'), £100m term loan and \$80m (£48m) private placement notes. This resulted in slightly improved commercial terms than in the original agreements. The RCF now extends to 17 December 2019 (previously 14 May 2018) and the step down in the facility from £700m to £550m is now extended to 29 December 2017 (previously 30 June 2016). Our covenant package is appropriate and our facilities provide appropriate headroom above our current forecast requirements.

As we make scheduled payments on agreed new land and build work in progress to deliver spring 2016 completions, we expect net debt at 31 December 2015 to be in line with normal seasonal trends (December 2014: £134.2m). It remains our objective for FY16 to maintain an appropriate capital structure with minimal year end net cash and land creditors at around a third of the owned land bank.

Capital Return Plan

The Board proposes to pay a final ordinary dividend of 10.3 pence (2014: 7.1 pence) per share for the financial year ended 30 June 2015, which subject to shareholder approval, will be paid on 20 November 2015 to shareholders on the register at the close of business on 30 October 2015. Together with the interim ordinary dividend of 4.8 pence per share, which was paid in the year, this gives a total ordinary dividend for the year of 15.1 pence per share (2014: 10.3 pence per share). The ordinary dividend was covered around three times by basic earnings per share.

Under the special cash payment programme the Board is proposing a payment of £100m (10.0 pence per share), which subject to shareholder approval, will be paid by way of a special cash payment on 20 November 2015 to shareholders on the register at the close of business on 30 October 2015. The Board anticipates further payments of £125m proposed with our FY16 results payable in November 2016, and £175m proposed with our FY17 results payable in November 2017.

In combination, the Capital Return Plan is expected to return around £987m of cash through ordinary dividends (based on consensus earnings) and special cash payments to the Company's shareholders over the three years ending November 2017.

Consolidated Income Statement

Year ended 30 June 2015

	Notes	2015 £m	2014 £m
Continuing operations			
Revenue	5	3,759.5	3,157.0
Cost of sales		(3,045.2)	(2,627.6)
Gross profit		714.3	529.4
Administrative expenses		(137.5)	(119.6)
Profit from operations	5	576.8	409.8
Finance income	6	7.6	9.1
Finance costs	6	(64.6)	(68.8)
Net finance costs	6	(57.0)	(59.7)
Share of post-tax profit from joint ventures		45.4	40.6
Share of post-tax profit/(loss) from associates		0.3	(0.1)
Profit before tax		565.5	390.6
Tax	7	(115.2)	(85.2)
Profit for the year		450.3	305.4
Profit for the year attributable to the owners of the Company		449.4	305.4
Profit for the year attributable to non-controlling interests	18	0.9	–
Earnings per share from continuing operations			
Basic	9	45.5p	31.2p
Diluted	9	44.6p	30.4p

Consolidated Statement of Comprehensive Income

Year ended 30 June 2015

	Notes	2015 £m	2014 £m
Profit for the year		450.3	305.4
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Actuarial (loss)/gain on defined benefit pension scheme	16	(11.5)	3.5
Fair value adjustment on available for sale financial assets	11	5.1	0.7
Tax credit/(charge) relating to items not reclassified		1.3	(1.2)
Total items that will not be reclassified to profit or loss		(5.1)	3.0
Items that may be reclassified subsequently to profit or loss			
Amounts deferred in respect of effective cash flow hedges	6	(0.5)	(5.4)
Amounts reclassified to the Income Statement in respect of hedged cash flows	6	2.9	11.7
Tax charge relating to items that may be reclassified		(0.5)	(2.0)
Total items that may be reclassified subsequently to profit or loss		1.9	4.3
Total comprehensive income recognised for the year		447.1	312.7
Total comprehensive income recognised for the year attributable to the owners of the Company		446.2	312.7
Total comprehensive income recognised for the year attributable to non-controlling interests	18	0.9	–

Consolidated Statement of Changes in Shareholders' Equity

	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Own shares £m	Share-based payments £m	Retained earnings due to shareholders of the Group £m	Total retained earnings due to shareholders of the Group £m	Non-controlling interests (note 18) £m	Total equity £m
At 1 July 2013	98.0	213.4	1,109.0	(19.9)	(3.6)	21.7	1,654.6	1,672.7	–	3,073.2
Profit for the year	–	–	–	–	–	–	305.4	305.4	–	305.4
Amounts deferred in respect of effective cash flow hedges	–	–	–	(5.4)	–	–	–	–	–	(5.4)
Amounts reclassified to the Income Statement in respect of hedged cash flows	–	–	–	11.7	–	–	–	–	–	11.7
Fair value adjustments on available for sale financial assets	–	–	–	–	–	–	0.7	0.7	–	0.7
Actuarial gains on pension scheme	–	–	–	–	–	–	3.5	3.5	–	3.5
Tax on items taken directly to equity	–	–	–	(2.0)	–	–	(1.2)	(1.2)	–	(3.2)
Total comprehensive income recognised for the year ended 30 June 2014	–	–	–	4.3	–	–	308.4	308.4	–	312.7
Dividend payments	–	–	–	–	–	–	(55.9)	(55.9)	–	(55.9)
Issue of shares	0.5	1.4	–	–	–	–	(0.4)	(0.4)	–	1.5
Share-based payments	–	–	–	–	–	9.0	–	9.0	–	9.0
Disposal of own shares	–	–	–	–	0.4	–	–	0.4	–	0.4
Transfer of share-based payments charge for exercised/lapsed options	–	–	–	–	–	(7.8)	7.8	–	–	–
Non-controlling interest arising on acquisition of land in a non-wholly owned subsidiary	–	–	–	–	–	–	–	–	8.0	8.0
Tax on share-based payments	–	–	–	–	–	1.7	3.4	5.1	–	5.1
At 30 June 2014	98.5	214.8	1,109.0	(15.6)	(3.2)	24.6	1,917.9	1,939.3	8.0	3,354.0
Profit for the year	–	–	–	–	–	–	449.4	449.4	0.9	450.3
Amounts deferred in respect of effective cash flow hedges	–	–	–	(0.5)	–	–	–	–	–	(0.5)
Amounts reclassified to the Income Statement in respect of hedged cash flows	–	–	–	2.9	–	–	–	–	–	2.9
Fair value adjustments on available for sale financial assets	–	–	–	–	–	–	5.1	5.1	–	5.1
Actuarial losses on pension scheme	–	–	–	–	–	–	(11.5)	(11.5)	–	(11.5)
Tax on items taken directly to equity	–	–	–	(0.5)	–	–	1.3	1.3	–	0.8
Total comprehensive income recognised for the year ended 30 June 2015	–	–	–	1.9	–	–	444.3	444.3	0.9	447.1
Dividend payments	–	–	–	–	–	–	(117.7)	(117.7)	–	(117.7)
Issue of shares	1.0	4.3	–	–	–	–	(0.7)	(0.7)	–	4.6
Share-based payments	–	–	–	–	–	11.6	–	11.6	–	11.6
Disposal of own shares	–	–	–	–	0.5	–	–	0.5	–	0.5
Transfer of share-based payments charge for exercised/lapsed options	–	–	–	–	–	(3.6)	3.6	–	–	–
Tax on share-based payments	–	–	–	–	–	1.4	9.8	11.2	–	11.2
At 30 June 2015	99.5	219.1	1,109.0	(13.7)	(2.7)	34.0	2,257.2	2,288.5	8.9	3,711.3

Consolidated Balance Sheet
At 30 June 2015

	Notes	2015 £m	2014 £m
Assets			
Non-current assets			
Other intangible assets		100.0	100.0
Goodwill	10	792.2	792.2
Property, plant and equipment		8.2	6.1
Investments in joint ventures and associates		200.0	199.6
Retirement benefit assets		5.3	3.1
Available for sale financial assets	11	96.8	121.6
Trade and other receivables		3.3	6.2
Deferred tax assets		–	19.6
Derivative financial instruments – swaps	14	2.3	–
		1,208.1	1,248.4
Current assets			
Inventories	12	4,173.6	3,508.6
Available for sale financial assets	11	10.2	0.8
Trade and other receivables		158.8	111.8
Cash and cash equivalents	13	360.4	274.7
		4,703.0	3,895.9
Total assets		5,911.1	5,144.3
Liabilities			
Non-current liabilities			
Loans and borrowings	13	(163.3)	(161.7)
Trade and other payables		(605.9)	(447.3)
Deferred tax liabilities		(1.2)	–
Derivative financial instruments – swaps	14	(17.0)	(21.2)
		(787.4)	(630.2)
Current liabilities			
Loans and borrowings	13	(13.2)	(38.4)
Trade and other payables		(1,349.8)	(1,112.0)
Current tax liabilities		(49.4)	(9.7)
		(1,412.4)	(1,160.1)
Total liabilities		(2,199.8)	(1,790.3)
Net assets		3,711.3	3,354.0
Equity			
Share capital	17	99.5	98.5
Share premium		219.1	214.8
Merger reserve		1,109.0	1,109.0
Hedging reserve		(13.7)	(15.6)
Retained earnings		2,288.5	1,939.3
Equity attributable to the owners of the Company		3,702.4	3,346.0
Non-controlling interests	18	8.9	8.0
Total equity		3,711.3	3,354.0

Consolidated Cash Flow Statements
Year ended 30 June 2015

	Notes	2015 £m	2014 £m
Net cash inflow from operating activities	19	184.0	242.3
Cash flows from investing activities			
Purchase of property, plant and equipment		(5.4)	(4.7)
Cash outflow arising on acquisition of land in a non-wholly controlled subsidiary		–	(0.9)
Decrease/(increase) in investments accounted for using the equity method		18.3	(59.2)
Dividends received from investments accounted for using the equity method		27.0	23.6
Investment in property fund		–	1.3
Interest received		2.3	3.7
Net cash inflow/(outflow) from investing activities		42.2	(36.2)
Cash flows from financing activities			
Dividends paid		(117.7)	(55.9)
Disposal of own shares		0.5	0.4
Proceeds from issue of share capital		4.6	1.5
Make-whole fee on redemption of private placement notes		–	(53.0)
Loan repayments		(27.9)	(118.8)
Net cash outflow from financing activities		(140.5)	(225.8)
Net increase/(decrease) in cash and cash equivalents		85.7	(19.7)
Cash and cash equivalents at the beginning of the year		274.7	294.4
Cash and cash equivalents at the end of the year	13	360.4	274.7

Notes to the Condensed Consolidated Financial Statements

Year ended 30 June 2015

1. Cautionary statement

The Chairman's Statement, Chief Executive's Statement and Priorities and principles in action contained in this Annual Results Announcement, including the principal risks and uncertainties (note 24), have been prepared by the Directors in good faith based on the information available to them up to the time of their approval of this report solely for the Company's shareholders as a body, so as to assist them in assessing the Group's strategies and the potential for those strategies to succeed and accordingly should not be relied on by any other party or for any other purpose and the Company hereby disclaims any liability to any such other party or for reliance on such information for any such other purpose.

This Annual Results Announcement has been prepared in respect of the Group as a whole and accordingly matters identified as being significant or material are so identified in the context of Barratt Developments PLC and its subsidiary undertakings in the consolidation taken as a whole.

2. Basis of preparation

Whilst the financial information included in this Annual Results Announcement has been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), International Financial Reporting Interpretations Committee ('IFRIC') Interpretations and Standing Interpretations Committee ('SIC') interpretations as adopted and endorsed by the European Union ('EU'), this announcement does not itself contain sufficient information to comply with IFRS. Full Financial Statements that comply with IFRS are included in the 2015 Annual Report and Accounts which will be circulated to shareholders in October 2015 and made available at www.barrattdevelopments.co.uk at that point.

The accounting policies adopted are consistent with those followed in the preparation of the Group's 2015 Annual Report and Accounts which have not changed significantly from those adopted in the Group's 2014 Annual Report and Accounts.

This Annual Results Announcement has been prepared under the historical cost convention as modified by the revaluation of available for sale financial assets, derivative financial instruments and share-based payments. The preparation of Condensed Financial Statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of the amounts, actual results may ultimately differ from those estimates. The most significant estimates made by the Directors in these Condensed Financial Statements are set out in 'Critical Accounting Judgements and Key Sources of Estimation Uncertainty' (note 4).

Going concern

In determining the appropriate basis of preparation of the Condensed Consolidated Financial Statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The Group's business activities, together with factors which the Directors consider are likely to affect its future development, financial performance and financial position are set out in the Chairman's Statement, Chief Executive's Statement and Priorities and principles in action. The material financial and operational risks and uncertainties that may have an impact upon the Group's performance and their mitigation are outlined in note 24 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 15.

The financial performance of the Group is dependent upon the wider economic environment in which the Group operates. As explained in the principal risks and uncertainties in note 24, factors that particularly affect the performance of the Group include changes in the macroeconomic environment including buyer confidence, availability of mortgage finance for the Group's customers and interest rates.

The Group has total committed bank facilities and private placement notes of £848.3m. The final maturity dates of these facilities range from August 2017 to July 2021, with £150.0m of the revolving credit facility maturing in December 2017 and £550.0m of the revolving credit facility maturing in December 2019. The committed facilities and private placement notes provide appropriate headroom above our current forecast debt requirements.

In addition to these committed borrowing facilities the Group has £27.9m of financing from the Government's 'Get Britain Building' and 'Growing Places Fund' schemes. The outstanding funds are repayable between December 2015 and March 2018. Further committed loan facilities of £11.5m are available under agreements with local government which are due to be repaid between July 2015 and March 2020.

Accordingly, after making enquiries and having considered forecasts and appropriate sensitivities, the Directors have formed a judgement, at the time of approving the Condensed Consolidated 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 twelve months from the date of these Financial Statements. For this reason, they continue to adopt the going concern basis in the preparation of these Condensed Consolidated Financial Statements.

3. Adoption of new and revised standards

In the year ended 30 June 2015, the Group has adopted the following standards, amendments and interpretations, none of which have had a material impact on the Group:

- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosure of Interests in Other Entities
- IAS 27: Separate Financial Statements
- IAS 28: Investments in Associates and Joint Ventures
- IFRIC 21: Levies
- Annual Improvements Cycle 2009 - 2011
- Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities - Transition Guidance
- Amendments to IAS 32: Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting

The adoption of IFRS 12 'Disclosure of Interests in Other Entities' has resulted in enhanced disclosures relating to the Group's jointly controlled entities, jointly controlled operations and non-controlling interests in the Annual Report and Condensed Consolidated Financial Statements.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In accordance with the requirements of IFRS, the Group has detailed below the critical accounting judgements made and the key sources of estimation uncertainty within the Condensed Consolidated Financial Statements.

a) Critical accounting judgements

In the process of applying the Group's accounting policies, which are described in the accounting policies note, the Directors have made no individual judgements that have a significant impact upon the Condensed Consolidated Financial Statements, apart from those involving estimations, which are dealt with below.

b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet dates, are discussed below.

Carrying value of land and work in progress

The Group's principal activity is 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 2015 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 lower of cost or net realisable value. During the year the Group has conducted six-monthly reviews of the net realisable value of specific sites identified as at high risk of impairment, based upon a number of criteria including low site profit margins and sites with no forecast completions. Where the estimated net realisable value of a site was less than its current carrying value within the Balance Sheet, the Group has impaired the land and work in progress value.

During the year, due to performance variations and changes to viability on individual sites, there were gross impairment charges of £17.9m (2014: £31.3m) and gross impairment reversals of £6.2m (2014:

£22.4m) resulting in a net impairment charge of £11.7m (2014: £8.9m) included within profit from operations.

The key judgements in these reviews were estimating the realisable value of a site, which is determined by forecast sales rates, expected sales prices and estimated costs to complete. The estimation of future sales prices and costs to complete included allowances for low single-digit sales price inflation and low single-digit build costs inflation in future periods. During the year the Group continued to benefit from favourable market conditions. If the UK housing market were to change beyond management expectations in the future, in particular with regards to the assumptions around sales prices and estimated costs to complete, further adjustments to the carrying value of land and work in progress may be required.

The land held at the balance sheet date that has already been impaired is most sensitive to the judgements being applied and the potential for further impairment or reversal. Forecasting risk also increases in relation to those sites that are not expected to be realised in the short to medium term.

Available for sale financial assets

The Group holds available for sale financial assets principally comprising interest free loans granted as part of sales transactions that are secured by way of a second legal charge on the respective property, which are held at fair value. The fair value calculation requires an estimate of the future cash flows expected from the redemption of interest free loans, including an estimate of the market value of the property at the estimated time of repayment, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The estimated market value is based on original selling prices and local market conditions with an allowance for low single-digit sales price inflation. The estimated repayment profile is based on historical data for first time buyers selling their property. The discount rate used is consistent with the interest rate payable on a third party second charge loan of a similar amount and duration.

The interrelationship between these assumptions, particularly those related to estimated market value and estimated repayment profile, means that there is not a direct correlation between house price inflation and the valuation of the Group's available for sale financial assets. During the year, the levels of house price inflation and redemptions have been in line with those expected in the fair value calculation. Accordingly, there has been no significant change in the Balance Sheet valuation due to the improved market. At 30 June 2015, the total asset recognised on the Balance Sheet in relation to these secured loans was £107.0m (2014: £122.4m), with the reduction primarily due to redemptions.

Goodwill and intangible assets impairment review

The impairment review for the goodwill of the housebuilding business and the Group's indefinite life brand, David Wilson Homes, requires an estimation of the value-in-use of the housebuilding segment as defined in note 10. The value-in-use calculation requires an estimate of the future cash flows expected from the housebuilding business, including the anticipated growth rate of revenue and costs, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The discount rate used is based on the average capital structure of the Group, current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. Changes in these may impact upon the Group's discount rate in future periods. The carrying amount of goodwill at 30 June 2015 was £792.2m and the indefinite life brands was £100.0m, there was no impairment recognised during the year.

Investment in joint venture holding non-current available for sale financial assets

The Group holds a joint venture investment of £25.6m (2014: £25.6m) in Rose Shared Equity LLP. This entity holds non-current available for sale financial assets comprising interest free loans that are secured by way of a second charge on the respective property. The Group's investment is accounted for using the equity method of accounting. In line with the Group's other joint venture investments, the carrying value is reviewed at each balance sheet date. This review requires estimation of the cash flows expected to be received by the Group which is based upon calculation of the fair values of the loans held by the entity including an estimate of future cash flows expected from the redemption of interest free loans, including an estimate of the market value of the property at the estimated time of redemption, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The estimated market value is based on original selling prices and local market conditions with an allowance for low single-digit sales price inflation. The estimated repayment profile is based on historic data for first time buyers selling their property. The discount rate used is consistent with the interest rate payable on a third party second charge loan of a similar amount and duration.

Classification of joint arrangements

The Group holds one joint venture investment not in equal share and one with more than one other party. However, in both cases, the Group has equal voting rights and control over the activities of the companies

with the other parties. In addition, the Group and the other parties to the agreements only have rights to the net assets of these companies through the terms of the contractual arrangements. These entities are therefore classified as joint ventures and are accounted for by the equity method in the Consolidated Financial Statements.

The Group's interests in a number of the entities classified as joint ventures are held indirectly. Barratt Wates (East Grinstead) No. 2 Limited is a wholly owned subsidiary of the Group's joint venture, Barratt Wates (East Grinstead) Limited, and is therefore classified as a joint venture of the Group.

Aldgate Land One Limited and Aldgate Land Two Limited are wholly owned subsidiaries of the Group's joint venture, Aldgate Place (GP) Limited, and are therefore classified as joint ventures of the Group. BDWZest Developments LLP, Alie Street LLP, Queensland Road LLP, Fulham Wharf LLP and Nine Elms LLP form a group of limited liability partnerships jointly owned (directly or indirectly) by BDWZest LLP and ZestBDW LLP, both of which are joint ventures of the Group. All of these entities are therefore classified as joint ventures of the Group.

Estimation of costs to complete

In order to determine the profit that the Group is able to recognise on its developments in a specific period, the Group has to allocate site-wide development costs between units built in the current year and in future years. It also has to estimate costs to complete on such developments. In making these assessments there is a degree of inherent uncertainty. The Group has developed internal controls to assess and review carrying values and the appropriateness of estimates made.

Recognition of profit where developments are accounted for under IAS 11 'Construction Contracts'

The Group applies its policy on contract accounting when recognising revenue and profit on partially completed contracts. The application of this policy requires judgements to be made in respect of the total expected costs to complete for each site. The Group has in place established internal control processes to ensure that the evaluation of costs and revenues is based upon appropriate estimates.

Defined benefit pension scheme

The Directors engage a qualified independent actuary to calculate the Group's asset in respect of its defined benefit pension scheme. In calculating this asset, it is necessary for actuarial assumptions to be made, which include discount rates, salary and pension increases, price inflation, the long term rate of return upon scheme assets and mortality. As actual rates of increase and mortality may differ from those assumed, the pension asset may differ from that included in these Condensed Consolidated Financial Statements.

The Group has obtained legal advice on the rights to the Group's defined benefit pension scheme's assets after the death of the last member. Based on this advice, the Group has concluded that it is appropriate to recognise an asset related to this scheme.

Hedge accounting

The majority of the Group's facilities are floating rate, which exposes the Group to interest rate risk. The Group has in place £137.0m (2014: £137.0m) of floating-to-fixed interest rate swaps. The Group has adopted hedge accounting for these swaps on the basis that it is highly probable that there is sufficient forecast debt to match with the period of swaps. If this basis was not met in the future any changes in fair value of the swaps would be recognised in the Consolidated Income Statement, rather than in equity. During the year ended 30 June 2015, there was a gain of £2.4m (2014: £7.7m) included in equity related to these swaps.

In addition, the Group has US\$80.0m (2014: US\$80.0m) of cross currency swaps to manage the cash flow risks related to foreign exchange, arising from the Group's sources of US Dollar denominated finance. These swaps are designated as a cash flow hedge against future foreign exchange rate movements. If the hedges ceased to be highly effective, any changes in fair value of the swaps would be recognised in the Consolidated Income Statement, rather than equity. During the year ended 30 June 2015, there was a gain of £4.1m (2014: loss of £7.3m) included in equity related to these swaps.

5. Segmental analysis

The Group consists of two separate segments for management reporting and control purposes, being housebuilding and commercial developments. The segments are considered appropriate for reporting under IFRS 8 'Operating Segments' since these segments are regularly reviewed internally by the Board without further significant categorisation. The Group presents its primary segment information on the basis of these operating segments. As the Group operates in a single geographic market, Great Britain, no secondary segmentation is provided.

	House- building Units	Commercial developments Units	2015 Total Units	House- building Units	Commercial developments Units	2014 Total Units
Residential completions*	15,599	–	15,599	14,191	–	14,191
Consolidated Income Statement	£m	£m	£m	£m	£m	£m
Revenue	3,702.3	57.2	3,759.5	3,142.6	14.4	3,157.0
Cost of sales	(2,999.2)	(46.0)	(3,045.2)	(2,616.9)	(10.7)	(2,627.6)
Gross profit	703.1	11.2	714.3	525.7	3.7	529.4
Administrative expenses	(132.4)	(5.1)	(137.5)	(114.9)	(4.7)	(119.6)
Profit/(loss) from operations	570.7	6.1	576.8	410.8	(1.0)	409.8
Share of post-tax profit/(loss) from joint ventures and associates	45.9	(0.2)	45.7	40.7	(0.2)	40.5
Profit/(loss) from operations including post-tax profit/(loss) from joint ventures and associates	616.6	5.9	622.5	451.5	(1.2)	450.3
Finance income			7.6			9.1
Finance costs			(64.6)			(68.8)
Profit before tax			565.5			390.6
Tax			(115.2)			(85.2)
Profit for the year from continuing operations			450.3			305.4

* Residential completions exclude joint venture completions of 848 (2014: 647) in which the Group has an interest.

Balance Sheet	House- building £m	Commercial developments £m	2015 Total £m	House- building £m	Commercial developments £m	2014 Total £m
Segment assets	5,511.5	50.1	5,561.6	4,833.4	51.0	4,884.4
Elimination of intercompany balances			(10.9)			(34.4)
			5,550.7			4,850.0
Deferred tax assets			–			19.6
Cash and cash equivalents			360.4			274.7
Consolidated total assets			5,911.1			5,144.3
Segment liabilities	(1,916.2)	(67.4)	(1,983.6)	(1,561.5)	(53.4)	(1,614.9)
Elimination of intercompany balances			10.9			34.4
			(1,972.7)			(1,580.5)
Loans and borrowings			(176.5)			(200.1)
Deferred tax liabilities			(1.2)			–
Current tax liabilities			(49.4)			(9.7)
Consolidated total liabilities			(2,199.8)			(1,790.3)

Other information	£m	£m	£m	£m	£m	£m
Capital additions	5.4	–	5.4	4.7	–	4.7
Depreciation	3.3	–	3.3	2.0	–	2.0

6. Net finance costs

Recognised in the Consolidated Income Statement:

	Notes	2015 £m	2014 £m
Finance income on short term bank deposits		(0.1)	(0.2)
Imputed interest on available for sale financial assets	11	(4.6)	(5.8)
Finance income related to employee benefits	16	(0.4)	–
Other interest receivable		(2.5)	(3.1)
Finance income		(7.6)	(9.1)
Interest on loans and borrowings		19.1	21.3
Imputed interest on deferred term payables		31.6	35.0
Finance costs related to employee benefits	16	–	0.3
Amounts reclassified to the Income Statement in respect of hedged cash flows		2.9	11.7
Foreign exchange losses/(gains) on US Dollar debt		4.1	(5.9)
Amortisation of facility fees		3.0	3.5
Other interest payable		3.9	2.9
Finance costs		64.6	68.8
Net finance costs		57.0	59.7

Recognised in equity:

	2015 £m	2014 £m
Amounts deferred in respect of effective cash flow hedges	0.5	5.4
Total fair value losses on cash flow swaps included in equity	0.5	5.4
Amounts reclassified to the Income Statement in respect of hedged cash flows	(2.9)	(11.7)
Total fair value gains on cash flow swaps transferred from equity	(2.9)	(11.7)

7. Tax

Analysis of the tax charge for the year

	2015 £m	2014 £m
Current tax		
UK corporation tax for the year	102.9	13.6
Adjustment in respect of previous years	(8.3)	0.6
	94.6	14.2
Deferred tax		
Origination and reversal of temporary differences	13.3	69.8
Adjustment in respect of previous years	7.3	(0.7)
Impact of reduction in corporation tax rate	-	1.9
	20.6	71.0
Tax charge for the year	115.2	85.2

In addition to the amount charged to the Consolidated Income Statement, a net current and deferred tax credit of £12.0m (2014: £1.9m) was recognised directly in equity.

All profits of the Group are subject to UK corporation tax.

Factors affecting the tax charge for the year

The tax rate assessed for the year is lower (2014: lower) than the standard effective rate of corporation tax in the UK of 20.75% (2014: 22.50%).

The differences are explained below:

	2015 £m	2014 £m
Profit before tax	565.5	390.6
Profit before tax multiplied by the standard rate of corporation tax of 20.75% (2014: 22.50%)	117.3	87.9
Effects of:		
Other items including non-deductible expenses	1.0	1.3
Use of previously unrecognised losses	-	(3.2)
Additional tax relief for land remediation costs	(1.3)	(1.5)
Adjustment in respect of previous years	(1.0)	(0.1)
Tax in respect of joint ventures	(0.8)	(1.1)
Impact of change in tax rate on deferred tax asset	-	1.9
Tax charge for the year	115.2	85.2

As set out in the Finance Act 2013, the main rate of corporation tax reduced from 21% to 20% on 1 April 2015. Accordingly, the current year tax charge has been provided for at an effective rate of 20.75% (2014: 22.50%) and the closing deferred tax asset has been provided in the Condensed Consolidated Financial Statements at a rate of 20% (2014: between 20% and 21% depending upon when the asset was expected to reverse).

In the July 2015 Summer Budget the Chancellor of the Exchequer announced the intention to reduce the main rate of corporation tax from 20% to 19% with effect from 1 April 2017 and from 19% to 18% with effect from 1 April 2020. These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in the Condensed Consolidated Financial Statements. Had these changes been enacted prior to the balance sheet date, there would be no significant impact on the deferred tax liability disclosed within the Condensed Consolidated Financial Statements.

8. Dividends

	2015 £m	2014 £m
Amounts recognised as distributions to equity shareholders in the period:		
Final dividend for the year ended 30 June 2014 of 7.1p (2013: 2.5p) per share	70.2	24.5
Interim dividend for the year ended 30 June 2015 of 4.8p (2014: 3.2p) per share	47.5	31.4
Total dividends distributed to equity shareholders in the year	117.7	55.9

	2015 £m	2014 £m
Proposed final dividend for the year ended 30 June 2015 of 10.3p (2014: 7.1p) per share	102.3	69.7

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting. The cost has been calculated based on the issued share capital at 30 June 2015 and has not been included as a liability at 30 June 2015.

In addition a special cash payment of £100.0m equivalent to 10.0 pence per share is subject to approval by shareholders at the Annual General Meeting. The cost has been calculated based on the issued share capital at 30 June 2015 and has not been included as a liability at 30 June 2015.

9. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of £449.4m (2014: £305.4m) by the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust which are treated as cancelled, which was 987.2m (2014: 979.1m) shares.

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of £449.4m (2014: £305.4m) by the weighted average number of ordinary shares in issue adjusted to assume conversion of all potentially dilutive share options from the start of the year, giving a figure of 1,008.4m (2014: 1,004.7m) shares.

The earnings per share from continuing operations were as follows:

	2015 pence	2014 pence
Basic earnings per share	45.5	31.2
Diluted earnings per share	44.6	30.4

10. Goodwill

	£m
Cost	
At 1 July 2013, 30 June 2014 and 30 June 2015	816.7
Accumulated impairment losses	
At 1 July 2013, 30 June 2014 and 30 June 2015	24.5
Carrying amount	
At 30 June 2014 and 30 June 2015	792.2

The Group's goodwill has a carrying value of £792.2m relating to the housebuilding segment. The goodwill relating to the commercial developments segment, with a cost of £24.5m, was fully impaired in the year ended 30 June 2008.

The Group conducts an annual impairment review of goodwill and intangibles together for both the housebuilding and commercial developments segments. The impairment review was performed at 30 June 2015 and compared the value-in-use of the housebuilding segment with the carrying value of its tangible and intangible assets and allocated goodwill. The Group allocates any identified impairment first to goodwill and then to assets on a pro-rata basis, which in the case of the Group is its intangible assets and property, plant and equipment.

The value-in-use was determined by discounting the expected future cash flows of the housebuilding segment. The first two years of cash flows were determined using the Group's approved detailed site-by-site business plan. The cash flows for the third to fifth years were determined using Group level internal forecasted cash flows based upon expected volumes, selling prices and margins, taking into account available land purchases and work in progress levels. The cash flows for year six onwards were extrapolated in perpetuity using an estimated growth rate of 2.5%, which was based upon the expected long term growth rate of the UK economy.

The key assumptions for the value-in-use calculations were:

- Discount rate: this is a pre-tax rate reflecting current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. Accordingly, the rate of 14.0% (2014: 12.6%) is considered by the Directors to be the appropriate pre-tax risk adjusted discount rate, being the Group's estimated long term pre-tax weighted average cost of capital. The rate used in the 30 June 2015 impairment review is calculated using the average capital structure of the Group during the financial year, consistent with the prior year, due to the cyclical nature of the Group's borrowing requirements and reflects the Group's reduced borrowing costs following the comprehensive refinancing completed during the prior year.
- Expected changes in selling prices for completed houses and the related impact upon operating margin: these are determined on a site-by-site basis for the first two years dependent upon local market conditions and product type. For years three to five, these have been estimated at a Group level based upon past experience and expectations of future changes in the market, taking into account external market forecasts.
- Sales volumes: these are determined on a site-by-site basis for the first two years dependent upon local market conditions, land availability and planning permissions. For years three to five, these have been estimated at a Group level based upon past experience and expectations of future changes in the market, taking into account external market forecasts.
- Expected changes in site costs to complete: these are determined on a site-by-site basis for the first two years dependent upon the expected costs of completing all aspects of each individual development. For years three to five, these have been estimated at a Group level based upon past experience and expectations of future changes in the market, taking into account external market forecasts.

The conclusion of this impairment review was that given the current position of the housebuilding segment and the expectations as to its future performance based upon current forecasts for sales volumes and expected changes in both selling prices and costs to complete, the housebuilding segment's goodwill and intangible assets were not impaired. The recoverable value of goodwill and intangible assets exceeded its carrying value by £1,547.4m (2014: £1,213.2m).

If the UK housing market and expectations regarding its future were to deteriorate with either operating margins reducing by 4.5% per annum (2014: 3.3% per annum) or the appropriate discount rate were to increase by 4.3% (2014: 2.9%) and all other variables were held constant, then the recoverable value of goodwill and intangible assets would equal its carrying value. Further information is given in Critical Accounting Judgements and Key Sources of Estimation Uncertainty in note 4.

11. Available for sale financial assets

Secured loans

	Notes	2015 £m	2014 £m
At 1 July		122.4	128.4
Additions		1.2	1.2
Disposals		(29.6)	(16.5)
Imputed interest	6	4.6	5.8
Other provision movements		3.3	2.8
Fair value adjustment taken through other comprehensive income		5.1	0.7
At 30 June		107.0	122.4
Balance at 30 June analysed as:			
Current		10.2	0.8
Non-current		96.8	121.6

Available for sale financial assets principally comprise interest free loans that are granted as part of sales transactions and for which the cash flows receivable are based on the value of the property at redemption. These loans are secured by way of a second legal charge on the respective property (after the first mortgage charge). These loans are held at the present value of expected future cash flows, taking into account the estimated market value of the property at the estimated time of repayment. The Consolidated Income Statement includes a net impairment charge of £8.5m and a profit on disposal of £9.9m (2014: impairment reversal of £2.8m and profit on disposal of £2.4m) in cost of sales.

The present value of expected future cash flows is calculated using a discount rate consistent with the interest rate payable on a third party second charge loan of a similar amount and duration. This is considered to be the most appropriate rate as the interest free loans are similar in nature to second charge loans offered by third party financial institutions. The average discount rate used for the year ended 30 June 2015 was 7.5% (2014: 8.0%). A fair value adjustment credit of £5.1m (2014: £0.7m) has been taken through other comprehensive income reflecting the unwinding of the discount in the year.

The estimated fair value is based on original selling prices and local market conditions with an allowance for low single-digit sales price inflation. The Group has also used independent valuation specialists in prior years to review and assess the estimated portfolio value, which has been updated using house price indices.

The repayment profile used to calculate the timing of future cash flows is based on historical data for first-time buyers selling their property.

The net impairment charge/reversal of the available for sale financial assets taken through the Consolidated Income Statement relates to borrower default including an estimate made for losses incurred that have not yet been reported to the Group by the home owner or the first charge provider and the impact of the change in UK house prices on the present value of the estimated future cash flows of these assets.

Further disclosures relating to financial assets are set out in note 15.

Residential property fund

During the prior year ended 30 June 2014, the Group disposed of its 1.3m units in a residential property fund that was managed by Hearthstone Investments, which at 30 June 2013, based on unadjusted quoted prices, had a market value of £1.3m, and was classified within current available for sale financial assets. No gain or loss was recognised in the Consolidated Income Statement in respect of this disposal for the year ended 30 June 2014.

12. Inventories

	2015 £m	2014 £m
Land held for development	2,826.1	2,348.4
Construction work in progress	1,287.4	1,118.2
Part-exchange properties and other inventories	60.1	42.0
	4,173.6	3,508.6

a) Nature of inventories

The Directors consider all inventories to be essentially current in nature, although the Group's operational cycle is such that a proportion of inventories will not be realised within twelve 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.

b) Expensed inventories

The value of inventories expensed in the year ended 30 June 2015 and included in cost of sales was £2,903.5m (2014: £2,500.7m).

13. Loans and Borrowings

a) Net cash

Net cash at 30 June is shown below:

	2015 £m	2014 £m
Cash and cash equivalents	360.4	274.7
Non-current borrowings		
Term loans	(88.2)	(88.3)
Government loans	(24.7)	(27.3)
Private placement notes	(50.4)	(46.1)
Total non-current borrowings	(163.3)	(161.7)
Current borrowings		
Bank overdrafts	–	(33.3)
Government loans	(13.2)	(5.1)
Total current borrowings	(13.2)	(38.4)
Total borrowings	(176.5)	(200.1)
Derivative financial instruments		
Foreign exchange swaps	2.6	(1.5)
Net cash	186.5	73.1

Cash and cash equivalents comprise cash at bank and other short term highly liquid investments with a maturity of three months or less. Net cash is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and foreign exchange swaps. Included within non-current borrowings are prepaid facility arrangement fees of £12.3m (2014: £12.5m). The Group includes foreign exchange swaps within net debt. These swaps were entered into to hedge the foreign exchange exposure upon the Group's US Dollar denominated private placement notes. The Group's foreign exchange swaps have both an interest rate and an exchange rate element and only the exchange rate element on the notional amount of the swap is included within the net cash note above.

The Group's derivative financial instruments at 30 June are shown below:

	2015 £m	2014 £m
Foreign exchange swap – exchange rate element	2.6	(1.5)
Foreign exchange swap – interest rate element	(0.3)	(0.3)
	2.3	(1.8)
Interest rate swaps	(17.0)	(19.4)
Net derivative financial instruments	(14.7)	(21.2)

b) Drawn debt facilities

The drawn debt at 30 June comprises:

	2015 £m	2014 £m
Non-current		
Term loans	88.2	88.3
Government loans	24.7	27.3
Private placement notes	50.4	46.1
Total non-current borrowings	163.3	161.7
Current		
Bank overdrafts	–	33.3
Government loans	13.2	5.1
Total current borrowings	13.2	38.4
Total borrowings	176.5	200.1

The weighted average interest rates, excluding fees, paid in the year were as follows:

	2015 %	2014 %
Bank loans excluding swap interest	2.4	2.9
Net swap payment	5.1	5.2
Government loans	2.4	2.0
Term loans	4.9	4.5
Private placement notes	8.1	8.2

The principal features of the Group's debt facilities at 30 June 2015 and 30 June 2014 were as follows:

i) Committed facilities

- A committed £700.0m revolving credit facility, reducing to £550.0m in December 2017, was made available under credit agreements dated 14 May 2013 and amended by amendment agreements entered into on 17 December 2014. As at 30 June 2015, £nil was drawn. £150.0m of this facility matures on 29 December 2017 and £550.0m of this facility matures on 17 December 2019.
- A committed £100.0m term loan, of which £100.0m was drawn at 30 June 2015, made available under a credit agreement dated 10 May 2011 (as amended from time to time and most recently with effect from 17 December 2014), the maturity of which is scheduled to be repaid as follows: 25% on 1 July 2019; 25% on 1 July 2020; and 50% on 1 July 2021.
- Outstanding committed loans of £27.9m under the Government's 'Get Britain Building' and local government 'Growing Places Fund' schemes. During the year £4.7m of scheduled repayments were made. The remaining balance is due to be repaid between 7 December 2015 and 31 March 2018.
- Committed loan facilities of £11.5m are available under agreements with local government which are due to be repaid between July 2015 and March 2020. At 30 June 2015 a total of £10.0m was drawn on these facilities, including £0.2m of interest.

ii) Fixed rate US Dollar private placement notes

- US Dollar private placement notes of \$80.0m due on 23 August 2017 were issued pursuant to note purchase agreements dated 10 May 2011 (as amended from time to time and most recently with effect from 17 December 2014).

iii) Bank overdrafts and uncommitted money market facilities

- The Group also uses various bank overdrafts and uncommitted borrowing facilities that are subject to floating interest rates linked to UK bank rate, LIBOR and money market rates as applicable.

All debt is unsecured.

14. Derivative financial instruments – swaps

The Group has entered into derivative financial instruments to manage interest rate and foreign exchange risks as explained in note 15. The Group does not enter into any derivatives for speculative purposes.

	Asset £m	2015 Liability £m	Asset £m	2014 Liability £m
Designated as cash flow hedges				
Non-current				
Interest rate swaps	–	(17.0)	–	(19.4)
Foreign exchange swaps	2.3	–	–	(1.8)
Total derivative financial instruments	2.3	(17.0)	–	(21.2)

a) Interest rate swaps

The Group enters into derivative transactions in the form of swap arrangements to manage the cash flow risks, related to interest rates, arising from the Group's sources of finance.

As at 30 June 2015, the Group had outstanding floating rate Sterling debt and overdrafts, excluding fees, of £126.9m (2014: £164.3m). In obtaining this funding, the Group sought to achieve certainty as to the availability of, and income statement charge related to, a designated proportion of anticipated future debt requirements.

The Group has entered into swap arrangements to swap £137.0m (2014: £137.0m) of this debt into fixed rate Sterling debt in accordance with the Group's treasury policy outlined in note 15. After taking into account swap arrangements, the fixed interest rates applicable to the debt were as follows:

£m	Fixed rate payable %	2015 Maturity	£m	Fixed rate payable %	2014 Maturity
60.0	6.06	2017	60.0	6.08	2017
19.5	6.18	2017	19.5	6.18	2017
32.5	5.83	2017	32.5	5.83	2017
25.0	5.61	2022	25.0	5.63	2022
137.0			137.0		

The swap arrangements are designated as a cash flow hedge against future interest rate movements. The fair value of the swap arrangements as at 30 June 2015, which is based on third party valuations, was a liability of £17.0m (2014: £19.4m) with a gain of £2.4m (2014: £7.7m) credited directly to equity in the year.

There was no ineffectiveness to be taken through the Consolidated Income Statement during the year or the prior year.

Further disclosures relating to financial instruments are set out in note 15.

b) Foreign exchange swaps

The Group enters into derivative transactions in the form of swap arrangements to manage the cash flow risks related to foreign exchange arising from the Group's sources of finance denominated in US Dollars.

As at 30 June 2015, the Group had outstanding fixed rate US Dollar loan notes of \$80.0m (2014: \$80.0m).

The Group has entered into swap arrangements to swap all of this debt into fixed rate Sterling debt in accordance with the Group's treasury policy outlined in note 15. After taking into account swap arrangements, the fixed interest rates applicable to the debt were as follows:

\$m	Fixed rate payable %	2015 Maturity	\$m	Fixed rate payable %	2014 Maturity
80.0	8.14	2017	80.0	8.14	2017

The swap arrangements are designated as cash flow hedges against future foreign exchange rate movements. The hedges match the contractual initial receipt, the final settlement and match 100% of the interest payments. The fair value of the swap arrangements as at 30 June 2015, which is based on third party valuations, was an asset of £2.3m (2014: liability of £1.8m) with a gain of £4.1m (2014: loss of £7.3m) credited directly to equity in the year.

There was no ineffectiveness to be taken through the Consolidated Income Statement during the year or the prior year. Further disclosures relating to financial instruments are set out in note 15.

15. Financial risk management

The Group's operations and financing arrangements expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risks, liquidity risks and interest rates. The most significant of these to the Group is liquidity risk and, accordingly, there is a regular, detailed system for the reporting and forecasting of cash flows from the operations to Group management to ensure that risks are promptly identified and appropriate mitigating actions taken by the central treasury department. These forecasts are further stress-tested at a Group level on a regular basis to ensure that adequate headroom within facilities and banking covenants is maintained. In addition, the Group has in place a risk management programme that seeks to limit the adverse effects of the other risks on its financial performance, in particular by using financial instruments, including debt and derivatives, to hedge interest rates and currency rates. The Group does not use derivative financial instruments for speculative purposes.

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.

a) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. The Group actively maintains a mixture of long term and medium term committed facilities that are designed to ensure that the Group has sufficient available funds for operations. The Group's borrowings are typically cyclical throughout the financial year and peak in April and May; and October and November of each year, due to seasonal trends in income. Accordingly, the Group maintains sufficient facility headroom to cover these requirements. On a normal operating basis, the Group has a policy of maintaining minimum headroom of £150.0m. The Group identifies and takes appropriate actions based upon its regular, detailed system for the reporting and forecasting of cash flows from its operations. At 30 June 2015, the Group had committed bank and other facilities of £887.7m (2014: £880.8m) and total facilities of £958.9m (2014: £932.0m). The Group's drawn debt, excluding fees, against the committed facilities was £186.2m (2014: £180.8m). This represented 21.0% (2014: 20.5%) of available committed facilities at 30 June 2015. In addition, the Group had £360.4m (2014: £274.7m) of cash and cash equivalents.

The Group was in compliance with its financial covenants at 30 June 2015. At the date of approval of the Financial Statements, the Group's internal forecasts indicate that it will remain in compliance with these covenants for the foreseeable future, being at least twelve months from the date of signing the Financial Statements.

The Group's objective is to minimise refinancing risk. The Group therefore has a policy that the average maturity of its committed bank facilities and private placement notes is at least two years on average with a target of three years. At 30 June 2015, the average maturity of the Group's facilities was 4.0 years (2014: 3.7 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:

Expiry date	2015 £m	2014 £m
In less than one year	–	–
In more than one year but not more than two years	–	150.0
In more than two years but not more than five years	701.7	550.0
In more than five years	–	–
	701.7	700.0

In addition, the Group had £71.2m (2014: £17.9m) of undrawn uncommitted facilities available at 30 June 2015.

b) Market risk (price risk)

j) UK housing market risk

This section specifically discusses UK housing market risk in the context of the financial instruments in the Balance Sheet.

The Group is subject to the prevailing conditions of the UK economy and the Group's earnings are dependent upon the level of UK house prices. UK house prices are determined by the UK economy and economic conditions including employment levels, interest rates, consumer confidence, mortgage availability and competitor pricing. However, the Group does seek to maintain an appropriate geographic spread of operating divisions and an appropriate product mix to mitigate any risks caused by local economic conditions. The Group has detailed procedures to manage its market related operational risks, which include:

- a weekly review of key trading indicators, including reservations, sales rates, visitor levels, levels of incentives, competitor activity and cash flow projections;
- the provision to mortgage providers with complete transparency of house purchase prices alongside any discounts or other incentives in order that they have appropriate information upon which to base their lending decision; and
- collaboration with key mortgage lenders to ensure that products are appropriate wherever possible for customers.

The UK housing market affects the valuation of the Group's non-financial assets and liabilities and the critical judgements applied by management in these Condensed Consolidated Financial Statements, including the valuation of land and work in progress, goodwill and intangible assets.

The Group's financial assets and liabilities, which are directly linked to the UK housing market, are as follows:

	Linked to UK housing market £m	Not linked to UK housing market £m	Total £m
2015			
Non-derivative financial assets	107.0	473.0	580.0
Non-derivative financial liabilities	–	(1,884.3)	(1,884.3)
Derivatives	–	(14.7)	(14.7)
	107.0	(1,426.0)	(1,319.0)
2014			
Non-derivative financial assets	122.4	362.5	484.9
Non-derivative financial liabilities	–	(1,517.5)	(1,517.5)
Derivatives	–	(21.2)	(21.2)
	122.4	(1,176.2)	(1,053.8)

The value of the Group's available for sale financial assets is directly linked to the UK housing market. At 30 June 2015, these assets were carried at a fair value of £107.0m (2014: £122.4m). Further information is set out in note 11.

Sensitivity analysis

The value of the Group's house price linked financial assets, which are solely available for sale financial assets, is sensitive to UK house prices since the amount repayable is dependent upon the market price of the property to which the loan is linked. At 30 June 2015, if UK house prices had been 5% lower and all other variables were held constant, the Group's house price linked financial assets and liabilities would decrease in value, excluding the effects of tax, by £5.8m (2014: £2.7m) with a corresponding reduction in both the result for the year and equity.

In addition the value of the asset is affected by mortgage rates, the availability of finance and UK economic conditions since all of these affect the risk of default.

ii) 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 policy of maintaining both long term fixed rate funding and medium term floating rate funding so as to ensure that there is appropriate flexibility for the Group's operational requirements. The Group has entered into swap arrangements to hedge cash flow risks relating to interest rate movements on a proportion of its debt and has entered into fixed rate debt in the form of US Dollar denominated private placements.

The Group has a conservative treasury risk management strategy and the Group's interest rates are fixed using both swaps and fixed rate debt instruments. The Group's policy target is for 0-40% of average borrowings over the 3 year plan period to be at fixed rates of interest. Due to the seasonality of the Group's funding requirements, 105.4% (2014: 87.2%) of the Group's gross borrowings were fixed as at 30 June 2015 and the average over the 3 year plan period is 43.2%. Group interest rates are fixed using both swaps and fixed rate debt instruments.

The exposure of the Group's financial liabilities to interest rate risk is as follows:

	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Non-interest bearing financial liabilities £m	Total £m
2015				
Financial liabilities (excluding derivatives)	115.1	61.4	1,707.8	1,884.3
Impact of interest rate swaps	(137.0)	137.0	–	–
Financial liability exposure to interest rate risk	(21.9)	198.4	1,707.8	1,884.3
2014				
Financial liabilities (excluding derivatives)	152.5	47.6	1,317.4	1,517.5
Impact of interest rate swaps	(137.0)	137.0	–	–
Financial liability exposure to interest rate risk	15.5	184.6	1,317.4	1,517.5

Floating interest rates on Sterling borrowings are linked to the UK bank rate, LIBOR and money market rates. The floating rates are fixed in advance for periods generally ranging from one to six months. Short term flexibility is achieved through the use of overdraft, committed and uncommitted bank facilities. The weighted average interest rate for floating rate borrowings in 2015 was 3.1% (2014: 3.4%).

US Dollar denominated private placement notes of £50.4m (2014: £46.1m) were arranged at fixed interest rates and exposed the Group to fair value interest rate risk. The weighted average interest rate for fixed rate US Dollar denominated private placement notes, after the effect of foreign exchange rate swaps, for 2015 was 8.1% (2014: 8.2%) with, at 30 June 2015, a weighted average period of 2.2 years (2014: 3.2 years) for which the rate is fixed.

Sensitivity analysis

In the year ended 30 June 2015, if UK interest rates had been 50 basis points higher/lower, as this is a reasonably possible change, and all other variables were held constant, the Group's pre-tax profit would decrease/increase by £0.9m (2014: £0.7m), the Group's post-tax profit would decrease/increase by £0.6m (2014: £0.5m) and the Group's equity would decrease/increase by £0.6m (2014: £0.5m).

iii) Foreign exchange rate risk

As at 30 June 2015, the Group has fixed rate US Dollar denominated private placement notes of \$80.0m (2014: \$80.0m). In order to mitigate risks associated with the movement in the foreign exchange rate, the Group has a policy of fully hedging the principal of its US Dollar denominated debt and a significant proportion of the interest payments. The Group therefore entered into foreign exchange swap arrangements on the issue of its US Dollar denominated debt, all of which are designated as cash flow hedges, which fully hedge the principal of its US Dollar denominated debt and the US Dollar interest payments.

Details of the Group's foreign exchange swaps are provided in note 14.

Sensitivity analysis

In the year ended 30 June 2015, if the US Dollar per Pound Sterling exchange rate had been \$0.20 higher/lower and all other variables were held constant, the Group's pre-tax profit would decrease/increase by £nil (2014: £nil), the Group's post-tax profit would decrease/increase by £nil (2014: £nil) and the Group's equity would decrease/increase by £nil (2014: £nil).

c) Credit risk

In the majority of cases, the Group receives cash upon legal completion for private sales and receives advance stage payments from Registered Providers for affordable housing. The Group has £107.0m (2014: £122.4m) of available for sale financial assets, which expose it to credit risk, although this asset is spread over a large number of properties. In addition, the Group has an investment of £25.6m (2014: £25.6m) in a joint venture that holds available for sale financial assets, which exposes the joint venture to credit risk, although this is spread over a large number of properties. Included within trade and other receivables £45.9m (2014: £41.4m) is due from the Homes and Communities Agency in respect of the Help to Buy scheme. Since this receivable is due from a UK Government agency, the Group considers that this receivable has an insignificant risk of default. Other than this, the Group does not have a significant concentration of credit risk, as their exposure is spread over a large number of counterparties and customers.

The Group manages credit risk in the following ways:

- The Group has a credit policy that is limited to financial institutions with high credit ratings, as set by international credit rating agencies, and has a policy determining the maximum permissible exposure to any single counterparty.
- The Group only contracts derivative financial instruments with counterparties with which the Group has an ISDA Master Agreement in place. These agreements permit net settlement, thereby reducing the Group's credit exposure to individual counterparties.

The maximum exposure to any counterparty at 30 June 2015 was £64.4m (2014: £71.8m) 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.

d) Capital risk management (cash flow risk)

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and meet its liabilities as they fall due whilst maintaining an appropriate capital structure.

The Group manages as capital its equity, as set out in the Consolidated Statement of Changes in Shareholders' Equity, its bank borrowings (being overdrafts, loan notes and bank loans) and its private placement notes, as set out in note 13.

The Group is subject to the prevailing conditions of the UK economy and the Group's earnings are dependent upon the level of UK house prices. UK house prices are determined by the UK economy and economic conditions including employment levels, interest rates, consumer confidence, mortgage availability and competitor pricing. The management of these operational risks is set out in the principal risks and uncertainties in note 24.

In addition, the other methods by which the Group can manage its short term and long term capital structure include: adjusting the level of dividends and special cash payments paid to shareholders (assuming the Company is paying a dividend or a special cash payment); issuing new share capital; arranging debt to meet liability payments; and selling assets to reduce debt.

16. Retirement benefit obligations

The Group operates defined contribution and defined benefit pension schemes.

a) 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.

	2015 £m	2014 £m
Contributions during the year		
Group defined contribution schemes Consolidated Income Statement charge	8.1	7.8

At the balance sheet date, there were outstanding contributions of £0.9m (2014: £0.8m), which were paid on or before the due date.

b) Defined benefit scheme

The Group operates a funded defined benefit pension scheme in Great Britain, the Barratt Group Pension & Life Assurance Scheme (the 'Scheme'), which with effect from 30 June 2009, ceased to offer future accrual of defined benefit pensions. Alternative defined contribution pension arrangements are in place for current employees.

The Scheme provides benefits to members based on their length of service and their salary in the final years leading up to retirement or date of ceasing active accrual if earlier. The Group operates the Scheme under the UK regulatory framework, with a legally separate fund that is Trustee-administered. The Trustees are responsible for ensuring that the Scheme is sufficiently funded to meet current and future benefit payments and for the investment policy with regard to scheme assets.

The Trustees must agree a funding plan with the Group such that any funding shortfall is expected to be met by additional contributions and investment performance. In order to assess the level of contributions, triennial valuations are carried out using prudent assumptions.

The most recent full actuarial valuation of the Scheme was carried out at 30 November 2013. The results of this valuation have been updated to 30 June 2015 by a qualified independent actuary. The Group has agreed with the Trustees of the Scheme to make contributions to the Scheme of £13.3m per annum until 30 November 2015 and then £9.5m per annum until 31 December 2016 to address the Scheme's actuarial deficit. The Group also continues to meet the Scheme's administration expenses and Pension Protection Fund levy.

At the balance sheet date, there were outstanding contributions of £1.1m (2014: £1.1m).

The Scheme exposes the Group to a number of risks, the most significant being:

Risk	Description
Volatile asset returns	The defined benefit obligation ('DBO') is calculated using a discount rate set with reference to high quality corporate bond yields. If assets underperform this discount rate, this will create a plan deficit. The Scheme holds a proportion of its assets in equities and other growth assets which are expected to outperform corporate bonds in the long term. However, returns are likely to be volatile in the short term, potentially resulting in short term cash requirements and an increase in the defined benefit obligation recorded on the Balance Sheet. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long term objectives.
Changes in bond yields	A decrease in corporate bond yields will increase the funding and accounting liabilities, although this will be partially offset by an increase in the value of the Scheme's investments in corporate and government bonds.
Inflation risk	A significant proportion of the DBO is indexed in line with price inflation, with higher inflation leading to higher liabilities.
Life expectancy	The majority of the Scheme's obligations are to provide a pension for the life of each of the members, so increases in life expectancy will result in an increase in the liabilities.

For the purposes of calculating the accounting costs and obligations of the Scheme, the assets of the defined benefit scheme have been calculated at fair (bid) value. The liabilities of the Scheme have been calculated at each balance sheet date using the following assumptions:

Principal actuarial assumptions	2015	2014
Weighted average assumptions to determine benefit obligations		
Discount rate	3.80%	4.30%
Rate of price inflation	3.30%	3.30%
Weighted average assumptions to determine net cost		
Discount rate	4.30%	4.70%
Rate of price inflation	3.30%	3.40%

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 1950 (life expectancy at age 65)	23.6 years	26.1 years
Non-retired member born in 1970 (life expectancy at age 65)	25.4 years	28.1 years

The base mortality assumptions are based upon the S1NA mortality tables with an adjustment to allow for the Scheme members being 1.5 years younger than the population of the S1NA mortality tables. Allowance for future increases in life expectancy is made in line with the CMI 2014 projections with a long term trend of 1.25% per annum (2014: 1.25% per annum).

The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out below:

Assumptions	Change in assumption	£m	Increase in Scheme liabilities %
Discount rate	Decrease by 0.1%	7.3	2.0
Rate of inflation	Increase by 0.1%	4.1	1.1
Life expectancy	Increase by 1 year	12.0	3.3

The amounts recognised in the Consolidated Income Statement were as follows:

	2015 £m	2014 £m
Interest cost	13.9	14.3
Interest income	(14.3)	(14.0)
Total pension (income)/cost recognised in net finance costs in the Consolidated Income Statement	(0.4)	0.3
Total pension (income)/cost recognised in the Consolidated Income Statement	(0.4)	0.3

The amounts recognised in the Group Statement of Comprehensive Income were as follows:

	2015 £m	2014 £m
Expected return less actual return on Scheme assets	(25.1)	(15.3)
Loss arising from changes in the assumptions underlying the present value of benefit obligations	36.6	6.4
Loss arising from experience from the 30 November 2013 actuarial valuation	-	5.4
Total pension cost/(income) recognised in the Group Statement of Comprehensive Income	11.5	(3.5)

The amount included in the Group Balance Sheet arising from obligations in respect of the Scheme is as follows:

	2015 £m	2014 £m
Present value of funded obligations	367.5	327.0
Fair value of Scheme assets	(372.8)	(330.1)
Surplus for funded Scheme/net asset recognised in the Group Balance Sheet at 30 June	(5.3)	(3.1)

	2015 £m	2014 £m
Net (asset)/liability for defined benefit obligations at 1 July	(3.1)	13.4
Contributions paid to the Scheme	(13.3)	(13.3)
(Income)/expense recognised in the Consolidated Income Statement	(0.4)	0.3
Amounts recognised in the Group Statement of Comprehensive Income	11.5	(3.5)
Net asset for defined benefit obligations at 30 June	(5.3)	(3.1)

A deferred tax liability of £1.1m (2014: £0.6m) has been recognised in the Group Balance Sheet in relation to the pension asset.

Movements in the present value of defined benefit obligations were as follows:

	2015 £m	2014 £m
Present value of benefit obligations at 1 July	327.0	308.3
Interest cost	13.9	14.3
Actuarial loss	36.6	11.8
Benefits paid from Scheme	(10.0)	(7.4)
Present value of benefit obligations at 30 June	367.5	327.0

Movements in the fair value of Scheme assets were as follows:

	2015 £m	2014 £m
Fair value of Scheme assets at 1 July	330.1	294.9
Interest income	14.3	14.0
Actuarial gain on Scheme assets	25.1	15.3
Employer contributions	13.3	13.3
Benefits paid from Scheme	(10.0)	(7.4)
Fair value of Scheme assets at 30 June	372.8	330.1

The analysis of Scheme assets was as follows:

	£m	2015 %	£m	2014 %
Quoted equity securities	91.8	24.6	159.7	48.4
Debt securities	279.7	75.0	170.0	51.5
Other	1.3	0.4	0.4	0.1
Total	372.8	100.0	330.1	100.0

The actual return on Scheme assets was as follows:

	2015 £m	2014 £m
Actual return on Scheme assets	39.4	29.3

The expected employer contribution to the Scheme in the year ending 30 June 2016 is £11.4m.

17. Share capital

	2015 £m	2014 £m
Allotted and issued ordinary shares		
10p each fully paid: 995,452,663 ordinary shares (2014: 984,983,475)	99.5	98.5

During the year, 2,176,347 (2014: 2,407,303) awards over the Company's shares were granted under the Company's Executive Long Term Performance Plan, 2,542,574 (2014: 3,363,707) options were granted under the Savings-Related Share Option Scheme ('SRSOS'), 813,663 (2014: 785,879) awards over the Company's shares were granted under the Company's Co-Investment Plan and awards of 639,148 (2014: 709,644) were granted over the Company's shares under the Senior Management Incentive Scheme.

Allotment of shares during the year

During the year, a total of 3,622,372 (2014: 1,090,558) shares were issued to satisfy exercises under the 2011 and 2012 SRSOS schemes and 218,051 shares (2014: 71,331) were issued to satisfy early exercises under the 2011, 2012, 2013 and 2014 grants of the SRSOS schemes.

In addition, 6,590,688 shares (2014: 4,021,515) were issued to satisfy exercises under the 2011 Long Term Performance Plan, 38,077 shares (2014: nil) were issued to satisfy exercises under the Co-Investment Plan and no shares (2014: 84,979) were issued to satisfy exercises under the Employee Share Option Plan.

Employee Benefit Trust

The Barratt Developments PLC Employee Benefit Trust (the 'EBT') holds 1,860,071 (2014: 3,392,355) ordinary shares in the Company. The EBT disposed of 1,532,284 shares in settlement of exercises under the Senior Management Share Option Plan 2009/10, the Executive Share Option Scheme 2009/10 and the Co-Investment Plan. The market value of the shares held by the EBT at 30 June 2015 at 614.5 pence per share (2014: 373.7 pence per share) was £11,430,136 (2014: £12,677,231). The shares are held in the EBT for the purpose of satisfying options that have been granted under the Barratt Developments PLC Executive and Employee Share Option Plans, Long Term Performance Plans and Co-Investment Plans. These ordinary shares do not rank for dividend and do not count in the calculation of the weighted average number of shares used to calculate earnings per share until such time as they are vested to the relevant employee.

18. Non-controlling interests

At 30 June 2015 the following subsidiaries of the Group had non-controlling interests:

Subsidiary	Percentage owned	Voting rights controlled	Country of registration	Principal place of business	Principal activity
SQ Holdings Limited	90.0%	90.0%	Guernsey *	UK	Housebuilding
The Tin Hat Regeneration Partnership LLP	90.0%	50.0%	England and Wales	UK	Commercial development
The 1249 Regeneration Partnership LLP	90.0%	50.0%	England and Wales	UK	Commercial development

* Subject to UK corporation tax (see note 7)

Summarised financial information relating to these subsidiaries:

	SQ Holdings Limited		The Tin Hat Regeneration Partnership LLP		The 1249 Regeneration Partnership LLP		Total	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Income	–	–	34.9	–	–	–	34.9	–
Expenditure	(0.8)	–	(30.0)	–	2.9	(0.2)	(27.9)	(0.2)
Tax	(0.8)	–	4.9	–	2.9	(0.2)	7.0	(0.2)
Profit/(loss) for the year, being total comprehensive income for the year	0.2	–	–	–	–	–	0.2	–
Profit/(loss) for the year attributable to the Group	(0.6)	–	4.9	–	2.9	(0.2)	7.2	(0.2)
Profit for the year attributable to the non-controlling interests	(0.6)	–	4.0	–	2.9	(0.2)	6.3	(0.2)
Current assets	–	–	0.9	–	–	–	0.9	–
Non-current assets	118.5	109.9	23.3	3.8	–	1.4	141.8	115.1
Current liabilities	–	–	–	–	–	–	–	–
Non-current liabilities	(9.4)	(0.5)	(18.4)	(3.8)	–	(4.3)	(27.8)	(8.6)
Net assets/(liabilities)	(0.3)	–	–	–	–	–	(0.3)	–
Equity attributable to the Group	108.8	109.4	4.9	–	–	(2.9)	113.7	106.5
Non-controlling interests	8.0	8.0	0.9	–	–	–	8.9	8.0
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–
Net cash inflow from operating activities	–	–	–	–	–	–	–	–
Net cash outflow from financing activities	0.1	–	10.3	5.7	–	–	10.4	5.7
Net cash inflow	–	–	–	(3.2)	–	–	–	(3.2)
	0.1	–	10.3	2.5	–	–	10.4	2.5

Movement in non-controlling interest share of net assets recognised in the Consolidated Balance Sheet	2015 £m	2014 £m
At 1 July	8.0	–
Share of profit for the year recognised in the Consolidated Income Statement	0.9	–
Non-controlling interest arising on acquisition of land in a non-wholly controlled subsidiary	–	8.0
At 30 June	8.9	8.0

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 purchase agreements.

19. Cash flows from operating activities

	Notes	2015 £m	2014 £m
Profit for the year from continuing operations		450.3	305.4
Tax		115.2	85.2
Finance income		(7.6)	(9.1)
Finance costs		64.6	68.8
Share of post-tax profit from joint ventures		(45.4)	(40.6)
Share of post-tax (profit)/loss from associates		(0.3)	0.1
Profit from operations		576.8	409.8
Depreciation		3.3	2.0
Impairment of inventories		11.7	8.9
Reversal of impairment of available for sale financial assets		(1.4)	(2.8)
Share-based payments charge		11.6	9.0
Imputed interest on deferred term payables	6	(31.6)	(35.0)
Imputed interest on available for sale financial assets	6, 11	4.6	5.8
Amortisation of facility fees	6	(3.0)	(3.5)
Finance income/(costs) related to employee benefits	6, 16	0.4	(0.3)
Total non-cash items		(4.4)	(15.9)
Increase in inventories		(676.7)	(235.0)
Increase in trade and other receivables		(57.5)	(39.2)
Increase in trade and other payables		394.7	147.0
Decrease in available for sale financial assets		21.9	9.5
Total movements in working capital		(317.6)	(117.7)
Interest paid		(28.1)	(33.2)
Tax paid		(42.7)	(0.7)
Net cash inflow from operating activities		184.0	242.3

The Balance Sheet movements in land and available for sale financial assets include non-cash movements due to imputed interest. Imputed interest is therefore included within non-cash items in the note above.

20. Contingent liabilities

a) Contingent liabilities related to subsidiaries

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 £588.6m (2014: £490.5m), and confirm that at the date of these Financial Statements the possibility of cash outflow is considered minimal and no provision is required.

b) Contingent liabilities related to joint ventures and associates

The Group has given counter indemnities in respect of performance bonds and financial guarantees to its joint ventures totalling £39.8m at 30 June 2015 (2014: £30.2m). The Group has also provided principal guarantees of £12.0m and cost and interest overrun guarantees in relation to the borrowings of a number of the Group's London joint ventures (2014: £12.0m). At 30 June 2015, no cost or interest overruns had been incurred (2014: £nil). The Group's maximum exposure under these cost and interest overrun guarantees is estimated at £15.7m as at 30 June 2015 (2014: £8.6m).

At 30 June 2015, the Group has an obligation to repay £0.9m (2014: £0.9m) of grant monies received by a joint venture upon certain future disposals of land.

The Group has also given a number of performance guarantees in respect of the obligations of its joint ventures, requiring the Group to complete development agreement contractual obligations in the event that the joint ventures do not perform as required under the terms of the related contracts.

c) Contingent liabilities related to subsidiaries, joint ventures and associates

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.

21. Related party transactions

a) Remuneration of key personnel

Disclosures related to the remuneration of key personnel as defined in IAS 24 'Related Party Disclosures' will be provided in the 2015 Annual Report and Accounts.

b) Transactions between the Group and its joint ventures

The Group has entered into transactions with its joint ventures in respect of development management and other services (with charges made based on the utilisation of these services) and funding. These transactions totalled £11.1m (2014: £8.6m) and £2.2m (2014: £2.5m). In addition, one of the Group's subsidiaries, BDW Trading Limited, contracts with a number of the Group's joint ventures to provide construction services.

During the year the Group received dividends totalling £27.0m (2014: £23.6m) from its joint ventures.

The amount of outstanding loans and interest due to the Group from its joint ventures at 30 June 2015 will be disclosed in the Annual Report and Accounts. The amount of other outstanding payables to the Group from its joint ventures at 30 June 2015 totalled £6.9m (2014: £nil).

The Group's contingent liabilities relating to its joint ventures are disclosed in note 20.

c) Transactions between the Group and its associates

The amount of outstanding loans due to the Group from its associates at 30 June 2015 was £nil (2014: £nil). There were no other amounts outstanding to the Group from its associates as at 30 June 2015.

The Group's contingent liabilities relating to its associates are disclosed in note 20.

d) Property purchase by a Director of Barratt Developments PLC

The Board and certain members of senior management are related parties within the definition of IAS 24 (Revised) 'Related Party Disclosures' ('IAS 24') and the Board are related parties within the definition of Chapter 11 of the UK Listing Rules ('Chapter 11').

During the year, the Group entered into the following transaction which, for the purposes of IAS 24 is considered to be a 'related party transaction'.

In August 2014, Mark Clare, at the time, Group Chief Executive, reserved a flat (including a car parking space) from Fulham Wharf LLP, a joint venture partnership between BDW Trading Limited (the Company's main trading subsidiary) and London and Quadrant Housing Trust (L&Q), at a purchase price of £1,692,350. This purchase was conducted at a fair and reasonable market price based on four independent market valuations and similar comparable transactions at that time. An amount of £2,500 was paid on reservation and a deposit of £166,735 was paid on 13 October 2014. The remaining balance will become payable on legal completion, which is scheduled to be in December 2015, in accordance with the Group's normal terms of trading.

Fulham Wharf LLP is not controlled by and is not a 'subsidiary undertaking' of the Company.

On notification by Mark Clare of the above transaction, the Board sought advice from its legal advisers and corporate brokers in respect of the application of Chapter 11 and Section 190 did not extend to LLPs and therefore the provisions of Chapter 11 and Section 190 did not apply to this transaction. Consequently, no shareholder approval was required for this transaction.

There have been no 'smaller related party transactions' as defined in Listing Rule 11.1.10R for the year ending 30 June 2015 or in the year ending 30 June 2014.

22. Seasonality

The Group, in common with the rest of the housebuilding industry, is subject to the main spring and autumn house selling seasons, which also result in peaks and troughs in the Group's debt profile and working capital requirements. Therefore, any weakness in the macroeconomic environment which affects these peak selling seasons can have a disproportionate impact upon the Group's results for the year.

23. Statutory accounts

The Condensed Consolidated Financial Statements for the year ended 30 June 2015 have been approved by the Directors and prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and Standing Interpretations Committee ('SIC') interpretations as adopted and endorsed by the European Union ('EU').

Barratt Developments PLC's 2015 Annual Report and Accounts will be circulated to shareholders in October 2015 and will be made available on its website www.barrattdevelopments.co.uk at that point. The financial information set out herein does not constitute the Company's statutory accounts for the year ended 30 June 2015 (as defined in Sections 434 and 436 of the Companies Act 2006) but is derived from the 2015 Annual Report and Accounts and the accounts contained therein. Statutory accounts for 2015 will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 11 November 2015. The auditor has reported on these accounts; their report was unqualified and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

The comparative figures for the year ended 30 June 2014 are not the Company's statutory accounts for the financial year but are derived from those accounts which have been reported on by the Company's auditor and which were delivered to the Registrar of Companies. The 2014 report of the auditor is unqualified and does not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

Whilst the financial information included in this Annual Results Announcement has been prepared in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS as adopted for use in the EU.

24. Principal risks and uncertainties

Our performance is subject to a number of risks, of which the principal risks and the changes impacting on them are set out in the table below. The Board has conducted a robust assessment of the principal risks facing the business. No new principal risks have emerged during the financial year.

Risk and description	Relevance to strategy	Mitigation	Changes in factors impacting on the risk in 2015
<p>Economic environment, including housing demand and mortgage availability</p> <p>Changes in the UK and European macroeconomic environments, including unemployment, flat or negative economic growth, buyer confidence, availability of mortgage finance particularly for higher loan to values including Government backed schemes, the ability of purchasers to repay equity share loans, interest rates, competitor pricing, falls in house prices or land values, may lead to a fall in the demand for houses, which in turn could result in impairments of the Group's inventories, goodwill and intangible assets.</p>	<p>The majority of homes built by the Group are purchased by individuals who rely on the availability of mortgages. The confidence of buyers and their ability to obtain mortgages or other forms of financing are impacted by the macroeconomic environment. Accordingly, customer demand is sensitive to changes in economic conditions.</p> <p>The Group's ability to grow its business partly depends on securing land or options over sites and having adequate resources to build sufficient homes to meet demand. The Group's ability to do this can be impacted by cash and profit constraints which, in turn, would have an adverse effect upon net operating assets and net debt (see also the liquidity, land and construction risks sections below).</p>	<ul style="list-style-type: none"> • Executive Committee, regional and divisional weekly reviews of trading performance and key performance indicators • Monthly Board report on trading performance and the economic environment, including mortgage affordability statistics • Internal systems identify the impact of sales price changes on margins • Quarterly site valuations and reviews • Half yearly net realisable reviews of inventories and annual asset impairment reviews for goodwill and intangible assets • Comprehensive sales policies and procedures including transparency towards mortgage lenders • Head of Mortgage Lender Relations works with key mortgage lenders to seek to ensure that appropriate products are available for customers 	<p>The UK economy continued to grow in the 12 months to 30 June 2015, with most economic indicators showing improvements on the prior year.</p> <p>Average quoted household interest rates remain at affordable levels and mortgage transaction volumes have remained broadly constant over the last year.</p> <p>Government support for the UK housebuilding industry has remained strong. The Government has extended Help to Buy (Equity Loan) in England until 2020. We expect Help to Buy in England to remain a very attractive opportunity for our customers, particularly first time buyers. Help to Buy in Scotland has ended and Wales ends 2016.</p>
<p>Land purchasing</p> <p>The ability to secure sufficient consented land and strategic land options at appropriate cost and quality to provide profitable growth.</p>	<p>The Group needs to purchase sufficient quantities of good quality, consented land at attractive prices in order to be in a position to achieve its annual construction forecasts and enhance the Group's ability to deliver profit growth.</p> <p>Acquiring poor quality or mispriced land would have an adverse impact on profitability and revenue.</p>	<ul style="list-style-type: none"> • All potential land acquisitions are subject to formal appraisal, approval by the Group's Land Committee and must meet minimum hurdle rates of 20% gross margin and 25% site ROCE • Divisional, regional and Group monthly analysis of land currently owned, committed and identified against requirements • Regular divisional land meetings 	<p>The Group continues to see a good range of opportunities for current and strategic land for investment in its targeted locations. This is without undue concentration and without relaxing the Group's site hurdle rates of 20% gross margin and 25% site ROCE. However, there remains a strong demand for conventional and low complexity sites particularly in London and the South East.</p>

Risk and description	Relevance to strategy	Mitigation	Changes in factors impacting on the risk in 2015
<p>Liquidity</p> <p>Unavailability of sufficient borrowing facilities to enable the servicing of liabilities (including pension funding) and the inability to refinance facilities as they fall due, obtain surety bonds, or comply with borrowing covenants. Furthermore, there are risks to management of working capital such as conditional contracts, build costs, joint ventures and the cash flows related to them.</p>	<p>The Group maintains committed facilities of different duration that are designed to ensure that the Group has sufficient available funds for operations. The Group's borrowings are cyclical during the financial year and peak around April/May and October/November each year. Due to our seasonal trends in income, these are the calendar points when the Group has the highest working capital requirements.</p> <p>The Group maintains sufficient committed debt facility headroom and in addition has a number of trade finance and surety facilities that are designed to ensure the Group has sufficient funds available. The absence of appropriate headroom would limit the Group's land buying and operational capability, adversely affecting profitability and the Group's ability to deliver shareholder value.</p>	<ul style="list-style-type: none"> Committed bank facilities and private placement notes of around £850m with maturities ranging from 2016 to 2021 Regular forecasts including working capital, cash flow facility headroom, surety bond requirements and compliance with banking covenants Group policies require maintaining facility headroom of up to £150m 	<p>The Group is in compliance with its borrowing covenants and, at the date of approval of the 2015 Annual Report and Accounts, the Group's internal forecasts indicate that it will remain in compliance with these covenants for the foreseeable future, being at least 12 months from the date of approval.</p> <p>During the year the Group amended its financing arrangements relating to its £700m revolving credit facility, £100m term loan and c. £50m of US private placements notes. This has resulted in slightly improved commercial terms.</p>
<p>Attracting and retaining high-calibre employees*</p> <p>Inability to recruit and/or retain employees with appropriate skill sets or sufficient numbers of such employees.</p>	<p>The Group aims to attract, retain and develop a sufficiently skilled and experienced workforce in order to maintain high standards of quality and customer service.</p> <p>Not having employees with appropriate skill sets can lead to build delays, quality issues, reduced sales, poor customer care and reduced profitability.</p>	<ul style="list-style-type: none"> Comprehensive Human Resources programme led by the Group Human Resources Director including apprenticeship schemes, a graduate development programme, succession planning and training academies tailored to each discipline Monthly monitoring of employee statistics including turnover and absence Exit interviews Annual employee engagement survey Remuneration benchmarked against industry competitors 	<p>There continues to be high competition amongst employers in some regions, which has resulted in employee turnover increasing to 19% (2014: 16%). We have continued to invest in the training and development of our workforce in order to assist in both retention and succession planning.</p> <p>To help the Group address the skill shortage in the building industry, we recruited 792 apprentices, graduates and trainees from FY14 to FY16.</p> <p>In addition, we have introduced a strategy to assist in addressing diversity across the Group.</p>

Risk and description	Relevance to strategy	Mitigation	Changes in factors impacting on the risk in 2015
<p>Availability of raw materials, subcontractors and suppliers*</p> <p>Shortages or increased costs of materials and skilled labour, the failure of a key supplier or the inability to secure supplies upon appropriate credit terms could increase costs and delay construction.</p>	<p>The Group relies upon affordable supplies of building materials from multiple sources and subcontractors to perform the majority of work on sites. This retains flexibility to commence work on new sites and enhances the Group's build cost efficiency. Adverse management of these suppliers and/or subcontractors could lead to build delays, cost increases and reduced profitability.</p>	<ul style="list-style-type: none"> • Centralised team led by the Group Procurement Director procures the majority of the Group's materials from within the UK including subcontractor materials, ensuring consistent quality and costs and security of supply • All of our significant supply agreements are fixed in advance, usually for 12 months • Seek to establish and maintain long term supplier and subcontractor partnerships • Group policies include tendering, the requirement for multiple suppliers for both labour contracts and material supplies and establish contingency plans should any key supplier fail • Professional approach to site management 	<p>During the year we saw overall build cost inflation of c. 3.5%. We have a robust and carefully managed supply chain with 85% of our build materials sourced through our centralised procurement function.</p> <p>We have seen an increase in the supply of skilled subcontractors over the past year, however there remains an industry shortage, with increases in labour costs remaining the largest driver of overall build cost inflation.</p> <p>We continue to renew our subcontractor and supplier agreements to ensure best pricing and the continuous availability of labour and materials.</p>
<p>Government regulation and planning policy*</p> <p>Inability to adhere to the increasingly stringent and complex regulatory environment, including planning and technical requirements affecting the housing market and regulatory requirements more generally.</p>	<p>The Group's land portfolio consists of land for the short and medium term as well as strategic land. Inability to obtain suitable consents, or unforeseen delays, could impact on the number or type of homes that we are able to build. We could also be required to fund higher than anticipated levels of planning obligations, or incur additional costs to meet increased regulatory requirements. All of these would have a detrimental impact on the contribution per plot. The Group seeks to meet regulatory and planning requirements to obtain the planning permission required to develop homes and communities.</p>	<ul style="list-style-type: none"> • Consultation with the Government both directly and through industry bodies to highlight potential issues • Considerable in-house technical and planning expertise devoted to complying with regulations and achieving implementable planning consents • Rigorous design standards for the homes and places we develop • Policies and technical guidance manuals for employees on regulatory compliance and the standards of business conduct expected 	<p>Following the implementation of the Government's National Planning Policy Framework, we welcome the further measures put in place to ensure local authorities have a five-year land supply. This is leading to an improved dialogue between local authorities and our divisions. Nevertheless, the planning process remains a lengthy one and affects the speed at which housing supply can increase.</p>

Risk and description	Relevance to strategy	Mitigation	Changes in factors impacting on the risk in 2015
<p>Construction and new technologies*</p> <p>Failure to identify and achieve key construction milestones, due to factors including the impact of adverse weather conditions, the failure to identify cost overruns promptly, design and construction defects, and exposure to environmental liabilities, which could delay construction, increase costs, reduce selling prices and result in litigation and uninsured losses. There are also risks associated with climate change and the use of new technology in the build process e.g. materials related to carbon reduction.</p>	<p>The Group builds homes and communities in Britain ranging from houses to large-scale flatted developments. In the event we did not do so efficiently, or new technologies result in quality issues, the Group's profitability and ability to grow the business could be impacted negatively.</p>	<ul style="list-style-type: none"> • Executive Committee, regional and divisional weekly reviews of trading performance and key performance indicators • Progress with development projects (including joint ventures and consortia) is monitored regularly by divisional management teams, including through monthly board meetings and regular site visits • Any alternative forms of construction and building technologies and the quality of materials are subject to evaluation by external and internal technical experts, including the NHBC, to ensure compliance with all building and other regulations • Quarterly site valuations and valuation reviews • Monitoring of environmental impact indicators • Maintenance of appropriate insurance cover 	<p>The Group is continuing an assessment of various modern methods of offsite construction and considering their suitability for utilisation within the business to reduce the risks inherent in the construction process.</p>
<p>Joint ventures and consortia</p> <p>Large development projects, some of which involve joint ventures or consortia arrangements and/or commercial developments, are complex and capital intensive and changes may negatively impact upon cash flows or returns.</p>	<p>Due to their scale, some projects may require joint venture or consortium arrangements. Failure of a joint venture or consortium partner to perform its financial and/or operational obligations can place additional capital or operational burdens upon the Group.</p>	<ul style="list-style-type: none"> • All potential joint ventures are subject to formal appraisal and approval by the Group's Land Committee and the Board • Once operational, the performance of joint ventures and consortia arrangements are subject to regular operational and financial review 	<p>During the year, the Group has entered into one new joint venture.</p>

Risk and description	Relevance to strategy	Mitigation	Changes in factors impacting on the risk in 2015
<p>Safety, health and environmental*</p> <p>Health and safety or environmental breaches can result in injuries to employees, subcontractors and site visitors, delays in construction or increased costs, reputational damage, criminal prosecution and civil litigation.</p>	<p>Health and safety is a key issue in the housebuilding sector. Given the inherent risks, it is of paramount importance to the Group. Senior management and the Board review health and safety matters on a regular basis and seek to reduce injury incidence rates by implementing policies and procedures aimed at keeping staff and visitors free from injury.</p> <p>In addition to the possibly tragic impact of an accident on-site, there is potential for legal proceedings, financial penalties, reputational damage and delays to the site's progress.</p>	<ul style="list-style-type: none"> • Health and safety department, independent of the management of the operating divisions • Regular health and safety audits and development monitoring visits with reports produced for divisional, regional, Safety, Health and Environment Committee, Executive Committee and Board review • Group health and safety and environmental policies and procedures 	<p>During the year, the Group's construction activity has continued at an increased level. The Group has invested in its Health and Safety team to retain the frequency of the audit and monitoring of developments. The Group has introduced an enhanced series of measures to draw awareness to site safety and to risks inherent in the construction process.</p> <p>The Group has also continued to develop its Safety, Health and Environmental systems and has established a Board Safety, Health and Environmental Committee.</p>
<p>IT</p> <p>Failure of the Group's IT systems (whether due to cyber attacks or other causes) in particular those relating to surveying and valuation, could adversely impact the performance of the Group.</p>	<p>The ability to optimise prices and ensure operational efficiency is essential to the Group's performance. The Group's integrated management systems enable the Group to maintain tight control, especially with regard to surveying and valuation.</p> <p>Adverse IT performance could cause delays in build and have an adverse impact on operational efficiency and profit.</p>	<ul style="list-style-type: none"> • Centrally maintained IT systems • Fully-tested disaster recovery programme • Regular exercises completed to seek to reduce the risk of penetration through cyber attacks 	<p>The Group has continued to invest in its site based IT for sales and construction teams, customer websites, business systems and IT infrastructure.</p>

* Sustainability risks are explored in more detail in our 2015 Sustainability Report, available at www.barrattddevelopments.co.uk

Details of the Group's management of liquidity risk, market risk, credit risk and capital risk in relation to financial instruments are provided in note 15.

Details of the Group's contingent liabilities are provided in note 20.

Directors' responsibility statements

The Directors' responsibility statements are made in respect of the Condensed Financial Statements and Management Report set out in this Annual Results Announcement.

This Annual Results Announcement complies fully with the United Kingdom's Financial Services Authority Disclosure Rules and Transparency Rules ('DTRs').

Each Director confirms that, to the best of their knowledge:

a) the Condensed Financial Statements contained in this Annual Results Announcement, which have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board, International Financial Reporting Interpretations Committee interpretations and Standing Interpretations Committee interpretations as adopted and endorsed by the European Union, 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 Group taken as a whole; and

b) the Management Report contained in this Annual Results Announcement includes a fair review of the development and performance of the Group taken as a whole, together with a description of the principal risks and uncertainties they face.

The Directors of Barratt Developments PLC and their functions are listed below:

John Allan, Non-Executive Chairman
Tessa Bamford, Non-Executive Director
Steven Boyes, Chief Operating Officer
David Thomas, Chief Executive
Richard Akers, Non-Executive Director
Nina Bibby, Non-Executive Director
Mark Rolfe, Senior Independent Director

Approved by order of the Board on 8 September 2015

David Thomas
Chief Executive
8 September 2015

Registered office

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Company information

Registered in England and Wales. Company number 604574

The Annual Results Announcement and the presentation slides will be available on the Barratt Developments corporate website, www.barrattdevelopments.co.uk, from 9.00am today.