4 September 2019

Barratt Developments PLC
Annual Results Announcement for the year ended 30 June 2019

Another year of strong performance, continued good progress against medium term targets

£m unless otherwise stated[1,2,3]	Year ended 30 June 2019	Year ended 30 June 2018	Change
Total completions (homes)[4]	17,856	17,579	1.6%
Revenue	4,763.1	4,874.8	(2.3%)
Gross margin (%)	22.8	20.7	210 bps
Profit from operations	901.1	862.6	4.5%
Operating margin (%)	18.9	17.7	120 bps
Profit before tax	909.8	835.5	8.9%
Basic earnings per share (pence)	73.2	66.5	10.1%
Total dividend per share (pence)	46.4	43.8	5.9%
ROCE (%)	29.7	29.6	10 bps
Net cash	765.7	791.3	(3.2%)

Highlights

- Strong operational and financial performance with continued good progress against medium term targets
- Operating margin of 18.9% (2018: 17.7%), with a trading improvement of 80 bps, driven mainly by continued strong progress from our margin initiatives
- Profit before tax of £909.8m (2018: £835.5m), driven by margin initiatives, a strong close to the year and additional contribution from joint ventures
- Continue to lead the industry in quality and customer service, achieving more NHBC Pride in the Job Awards than any other housebuilder for the 15th consecutive year and receiving the maximum HBF 5 Star customer satisfaction rating for the tenth year in a row
- Strong cash generation with net cash at 30 June 2019 of £765.7m (2018: £791.3m)
- Final ordinary dividend per share of 19.5p (2018: 17.9p) together with 17.3p (2018: 17.3p) special dividend per share, resulting in a total dividend for the financial year of 46.4p (2018: 43.8p)

Current trading

- Net private reservations per active outlet per average week from 1 July were 0.70 with the prior year benefiting from reservations on two bespoke design and build arrangements (FY19: 0.75, excluding the two bespoke design and build arrangements 0.70)
- Strong total forward sales[4] as at 1 September 2019 of 12,911 homes (2 September 2018: 12,648 homes) at a value of £2,998.6m (2 September 2018: £3,054.0m).

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

"It has been another outstanding year delivering a strong operational and financial performance. The Group's long term investment in quality and operational excellence continues to drive margin improvements, alongside our highest number of completions for 11 years. As the only major housebuilder to be awarded a 5 Star rating for customer satisfaction for ten years in a row, we continue to lead the industry in quality and customer service.

Whilst there is increased economic and political uncertainty, we begin the new financial year with a strong forward order book, balance sheet and cash position which we believe provides us with the resilience and flexibility to react to potential changes in the operating environment in FY20 and beyond. We maintain our focus on the delivery of operational improvements across our business, and our commitment to deliver the highest quality homes across the country."

1. Refer to Glossary for definition of key financial metrics
2. Unless otherwise stated, all numbers quoted exclude JVs throughout this statement
3. In addition to the Group using a variety of statutory performance measures it also measures performance using alternative performance measures (APMs). Definitions of the APMs and reconciliations to the equivalent statutory measures are detailed in the Glossary and Definitions
4. Including JVs in which the Group has an interest

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 8.30am 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 8:30am today. A playback facility will be available shortly after the presentation has finished.

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Further copies of this announcement can be downloaded from the Barratt Developments PLC corporate website www.barrattdevelopments.co.uk or by request 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

We have once again performed strongly against our key financial and operational metrics, and we continue to lead the industry in the quantity and just as importantly, the quality of our homes. This year we delivered 17,856[1] high quality new homes across Britain, the highest number for 11 years.

Quality

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

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

Political and economic environment

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

The Government continues to support new housebuilding. We welcome the extension of Help to Buy until 2023, albeit subject to restrictions from 2021 onwards. We believe Help to Buy is a successful scheme that has supported new development whilst helping over 221,000[2] families to buy a new home. The Government's stamp duty cut has also assisted over 340,000[3] first-time buyers since its inception in November 2017.

The revised National Planning Policy Framework published last year has provided additional clarity for housebuilders, and the majority of local authorities now have an up-to-date, adopted local plan. In total over 369,000[4] units secured planning permission in England in 2018, demonstrating that the planning system continues to facilitate new development.

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

Our employees

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

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

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

Culture

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

Safety, health and the environment

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

We continuously reinforce the importance of safety and health to our workforce. Our injury incidence rate for reportable injuries per 100,000 employees and contractors decreased during FY19 to 297 (2018: 462).

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

Acquisition and disposals

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

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

The New Code

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

Board appointments and succession

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

Delivering returns to our shareholders

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

Summary

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

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

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

John Allan
Chairman

3 September 2019

1. Including JVs in which the Group has an interest
2. MHCLG, Help to Buy (Equity Loan Scheme) Data to 31 March 2019, England, July 2019
3. HMRC Quarterly Stamp Duty Land Tax Statistics, July 2019
4. HBF New Housing Pipeline report, p5 www.hbf.co.uk/documents/8440/HPL_REPORT_2018_Q4_FINAL.pdf

Chief Executive's statement

Overview

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

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

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

We are operating across England, Scotland and Wales through our three brands: Barratt Homes, David Wilson Homes and Barratt London. We remain committed to playing our part in addressing the housing shortage. We continue to increase volumes whilst maintaining our industry leading quality. In line with expectations, we saw 2.6% growth in our wholly owned completions to 17,111 homes (2018: 16,680 homes) and delivered 745 homes through our joint ventures (2018: 899 homes), making our total completions including JVs 17,856 homes (2018: 17,579 homes) for the year.

We have grown margin significantly over the last five years and this year delivered a gross margin of 22.8% (2018: 20.7%). Operating margin increased by 120 bps to 18.9% (2018: 17.7%) for the year with profit from operations of £901.1m (2018: £862.6m). We delivered 80 bps of operating margin improvements from trading driven mainly by sites purchased at higher gross margins and the benefits of the new product range delivery, partly offset by an increase in administration expenses. We also benefited from a further net 40 bps of operating margin from non-recurring items, being the disposal of a legacy commercial asset and net reversal of inventory provisions offset by costs associated with legacy properties. Our operational improvements, including new product ranges, underpin our land acquisition at a minimum of 23% gross margin.

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

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

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

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

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

Strong housing market fundamentals

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

The lending environment also remains positive with greater competition in the mortgage market and a broad spread of lenders supporting homebuyers. We continue to see strong Government support for the new build industry and to help people to get onto the housing ladder. In October 2018, the Government announced that Help to Buy will continue in its current form until March 2021, and thereafter will be in place for two further years, limited to first-time buyers with regional price caps. Up to March 2019, over 221,000 homes had been bought using the scheme, 81% by first-time buyers[2].

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

Committed to building more high quality homes

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

Leadership in quality and customer service
We have an absolute and long term commitment to quality and customer service and we believe our industry leadership in this is fundamental to business resilience. Our quality is recognised through the NHBC Pride in the Job Awards for site management. In June 2019 our site managers were awarded 84 awards, more than any other housebuilder for the 15th consecutive year. We are also the only major housebuilder to be awarded the maximum 5 Star rating by our customers in the HBF customer satisfaction survey for ten years in a row which means that our customer satisfaction rating is consistently over 90%.

Investing in our people
We are committed to the development of our people in order to drive our success. A shortage of skilled workers in our sector means that attracting and retaining the best people is an important priority for the business. We are building a diverse and inclusive workforce that reflects the communities in which we operate, delivering excellence for our customers by drawing on a broad range of talents, skills and experience. Employee engagement remains a key measure of our success and we are pleased to have maintained upper quartile performance in our engagement survey for the sixth consecutive year. Our focus on retention has resulted in a reduction in employee turnover this year.

We are investing for the future and continue to develop award winning schemes including those for graduates, apprentices, ex-Armed Forces personnel and our own Degree Apprenticeship in Residential Development and Construction, run in conjunction with Sheffield Hallam University. Building on the success of our programme, we have created a fast track bricklaying apprenticeship, which has attracted more candidates and reduced the programme duration by six months. We currently have 470 apprentices, graduates and trainees on programmes, which is 7.2% of our workforce. We have recruited a further 269 apprentices, trainees and graduates for our FY20 intake.

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

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

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

MMC
We are committed to increasing the number of homes we build using MMC to increase efficiency and to help mitigate the challenges posed by the shortage of skilled workers within the industry. We continue to develop, trial and implement MMC, building and selling 2,626 homes using timber frame, large format block and light gauge steel frame. We also use offsite manufactured ground floor solutions and roof cassettes. We have achieved our 2020 target of 20% of home completions using MMC a year ahead of schedule. Our new target is to use MMC to build 25% of our homes by 2025.

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

Our financial performance

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

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

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

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

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

We have made good progress in our strategy to trade out of central London, delivering 127 wholly owned central London completions in the year, resulting in 18 private homes being left to legally complete. We also have 262 units left to complete in our two remaining active central London JVs, of which 85% are now forward sold. We continue to focus on the strong growth opportunities that exist in outer London.

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

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

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

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

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

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

Operating framework and capital structure
We will continue to maintain an appropriate capital structure and a sustainable operating framework, with shareholders' funds and land creditors funding the longer term requirements of the business and with term loans and bank debt funding shorter term requirements for working capital. On 22 November 2018, we amended and extended our £700m RCF to 22 November 2023.

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

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

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

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

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

The key dimensions underpinning delivery of our strategy

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

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

We continue to target a regionally balanced land portfolio with a supply of owned land of c.3.5 years and a further c.1.0 year of controlled land. Our target for a shorter than sector average land bank reflects our focus on ROCE and our fast build and sell model. Reflecting the excellent land opportunities we have seen over the year as well as our growth ambitions, at 30 June 2019 we were slightly above this target with a 4.7 years land supply, comprising 3.9 years owned land and 0.8 years of controlled land, with the owned land bank including land with both outline and detailed planning consents.

Our land bank at 30 June comprised:

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

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

Following our success with planning over the past 12 months we are very well positioned, with all of our expected FY20 completions (2018: all of FY19 completions) having outline or detailed planning consent.

Improving efficiency and reducing costs

Improving the efficiency of our operations and controlling costs remains a key focus for the Group, as it will further enhance our margin and improve business resilience. We have launched our new cost effective housetype ranges and continue to seek ways to improve efficiencies and reduce costs across our business.

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

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

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

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

Health and safety

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

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

Following the Grenfell Tower tragedy, amendments to the Building Regulations and related guidance have been made. The Group carried out a review of all of its current and legacy buildings where it has used cladding. Approved Inspectors signed off all of our buildings, including the cladding used, as compliant with the relevant Building Regulations during construction and on completion.

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

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

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

Charitable giving

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

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

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

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

Sustainability

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

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

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

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

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

To date, we have made some good progress on our goals. Operational carbon emissions relative to build area have fallen by 3.1% during FY19, a 21.6% reduction since 2015. Nearly half of all of our electricity consumption has been matched by the purchase of renewable energy. We continue to work on our programme of improvements for waste intensity and although it increased during the year by 7.8% measured on housing completions and 3.4% measured on build activity including work in progress, we have made good progress since 2015 with a reduction of 7.9% overall.

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

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

Capital Return Plan

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

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

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

A. All future ordinary and special returns are subject to shareholder approval
B. Comprises total dividend payments for FY16 - FY18
C. Based upon 30 June 2019 share capital of 1,016,985,862
D. Based upon 30 June 2019 shares for proposed payments of 1,010,813,607
E. Based on Reuters consensus estimates of earnings per share of 70.6 pence for FY20 as at 30 August 2019 and applying a 2.5 times dividend cover in line with the announced policy. 30 June share capital 1,016,985,862 less shares held by the EBT of 6,172,255 resulting in 1,010,813,607 shares for proposed payment calculation. This consensus estimate is provided for illustration purposes. No member of the Group nor any of their respective directors, officers or employees: (i) has commented on the consensus estimate, (ii) endorses the consensus estimate, or (iii) accepts any responsibility whatsoever for the accuracy of the consensus estimate and shall accordingly have no liability whatsoever in respect of the consensus estimate.

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

Under the special cash payment programme the Board is also proposing a payment of £175m (17.3 pence per share), which subject to shareholder approval, will be paid by way of a special dividend on Tuesday 5 November 2019 to shareholders on the register at the close of business on Friday 11 October 2019.

Current trading and outlook

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

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

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

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

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

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

David Thomas
Chief Executive
3 September 2019

1. Including JVs in which the Group has an interest
2. MHCLG, Help to Buy (Equity Loan Scheme) Data to 31 March 2019, England, July 2019

Consolidated Income Statement
Year ended 30 June 2019

Continuing operations	Notes	2019 £m	2018[1] £m
Revenue	2.1	**4,763.1**	4,874.8
Cost of sales		**(3,678.9)**	(3,865.9)
Gross profit		**1,084.2**	1,008.9
Analysed as:			
Adjusted gross profit		**1,087.4**	1,015.9
Cost associated with legacy properties	2.1	**(3.2)**	(7.0)
Administrative expenses		**(183.1)**	(146.3)
Profit from operations	2.1	**901.1**	862.6
Analysed as:			
Adjusted operating profit		**904.3**	869.6
Cost associated with legacy properties	2.1	**(3.2)**	(7.0)
Finance income	5.2	**7.1**	3.5
Finance costs	5.2	**(35.9)**	(48.6)
Net finance costs	5.2	**(28.8)**	(45.1)
Share of post-tax profit from joint ventures		**39.2**	18.6
Analysed as:			
Adjusted share of post-tax profit from joint ventures		**46.2**	18.6
Cost associated with legacy properties	2.1	**(7.0)**	–
Loss on disposal of joint ventures	4.1.2	**(1.7)**	–
Share of post-tax loss from associates		**–**	(0.6)
Profit before tax		**909.8**	835.5
Analysed as:			
Adjusted profit before tax		**920.0**	842.5
Cost associated with legacy properties		**(10.2)**	(7.0)
Tax	2.4	**(170.4)**	(164.0)
Profit for the year		**739.4**	671.5
Profit for the year attributable to the owners of the Company		**740.0**	671.7
Loss for the year attributable to non-controlling interests		**(0.6)**	(0.2)
Earnings per share from continuing operations			
Basic	2.2	**73.2p**	66.5p
Diluted	2.2	**72.3p**	65.9p

1 The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

Consolidated Statement of Comprehensive Income

Year ended 30 June 2019

	Notes	2019 £m	2018[1] £m
Profit for the year		**739.4**	671.5
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Actuarial (loss)/gain on defined benefit pension scheme	**6.1**	**(15.4)**	29.2
Tax credit/(charge) relating to items not reclassified		**2.9**	(5.5)
Total items that will not be reclassified to profit or loss		**(12.5)**	23.7
Items that may be reclassified subsequently to profit or loss			
Amounts deferred in respect of effective cash flow hedges	**5.2**	**-**	0.8
Amounts reclassified to the Income Statement in respect of hedged cash flows	**5.2**	**-**	(0.8)
Total items that may be reclassified subsequently to profit or loss		**-**	-
Total comprehensive income recognised for the year		**726.9**	695.2
Total comprehensive income recognised for the year attributable to the owners of the Company		**727.5**	695.4
Total comprehensive expense recognised for the year attributable to non-controlling interests		**(0.6)**	(0.2)

1 The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

Group Statement of Changes in Shareholders' Equity

	Share capital (note 5.4.1) £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Own shares (note 5.4.2) £m	Share-based payments £m	Group retained earnings due to shareholders of the Company £m	Total Group retained earnings due to shareholders of the Company £m	Non-controlling interests (note 4.1.1) £m	Total equity £m
At 1 July 2017	100.8	224.7	1,109.0	–	(1.3)	22.9	2,857.0	2,878.6	9.1	4,322.2
Profit/(loss) for the year	–	–	–	–	–	–	671.7	671.7	(0.2)	671.5
Amounts deferred in respect of effective cash flow hedges	–	–	–	0.8	–	–	–	–	–	0.8
Amounts reclassified to the Income Statement in respect of hedged cash flows	–	–	–	(0.8)	–	–	–	–	–	(0.8)
Actuarial gains on pension scheme	–	–	–	–	–	–	29.2	29.2	–	29.2
Tax on items above taken directly to equity	–	–	–	–	–	–	(5.5)	(5.5)	–	(5.5)
Total comprehensive income/(expense) recognised for the year ended 30 June 2018	–	–	–	–	–	–	695.4	695.4	(0.2)	695.2
Dividend payments	–	–	–	–	–	–	(434.9)	(434.9)	(1.4)	(436.3)
Issue of shares	0.5	7.9	–	–	–	–	–	–	–	8.4
Share-based payments	–	–	–	–	–	11.0	–	11.0	–	11.0
Purchase of own shares	–	–	–	–	(3.3)	–	–	(3.3)	–	(3.3)
Transfers in respect of share options	–	–	–	–	3.4	(13.6)	10.3	0.1	–	0.1
Tax on share-based payments	–	–	–	–	–	(2.3)	2.7	0.4	–	0.4
At 30 June 2018 as previously reported	101.3	232.6	1,109.0	–	(1.2)	18.0	3,130.5	3,147.3	7.5	4,597.7
Effect of changes in accounting policies[1]	–	–	–	–	–	–	(4.5)	(4.5)	–	(4.5)
At 1 July 2018 as adjusted for changes in accounting policies	101.3	232.6	1,109.0	–	(1.2)	18.0	3,126.0	3,142.8	7.5	4,593.2
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**740.0**	**740.0**	**(0.6)**	**739.4**
Actuarial loss on pension scheme	**–**	**–**	**–**	**–**	**–**	**–**	**(15.4)**	**(15.4)**	**–**	**(15.4)**
Tax on items above taken directly to equity	**–**	**–**	**–**	**–**	**–**	**–**	**2.9**	**2.9**	**–**	**2.9**
Total comprehensive income/(expense) recognised for the year ended 30 June 2019	**–**	**–**	**–**	**–**	**–**	**–**	**727.5**	**727.5**	**(0.6)**	**726.9**
Dividend payments	**–**	**–**	**–**	**–**	**–**	**–**	**(452.3)**	**(452.3)**	**–**	**(452.3)**
Issue of shares	**0.4**	**6.7**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7.1**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**14.1**	**–**	**14.1**	**–**	**14.1**
Purchase of own shares	**–**	**–**	**–**	**–**	**(21.7)**	**–**	**–**	**(21.7)**	**–**	**(21.7)**
Transfer in respect of share options	**–**	**–**	**–**	**–**	**7.8**	**(12.4)**	**4.7**	**0.1**	**–**	**0.1**
Tax on share-based payments	**–**	**–**	**–**	**–**	**–**	**1.2**	**0.4**	**1.6**	**–**	**1.6**
At 30 June 2019	**101.7**	**239.3**	**1,109.0**	**–**	**(15.1)**	**20.9**	**3,406.3**	**3,412.1**	**6.9**	**4,869.0**

[1] The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

Group Balance Sheet

At 30 June 2019

	Notes	2019 £m	2018[1] £m
Assets			
Non-current assets			
Other intangible assets		**102.3**	100.0
Goodwill	4.2	**805.9**	792.2
Property, plant and equipment		**17.4**	11.6
Investments in joint ventures and associates		**189.0**	234.1
Retirement benefit assets	6.1	**62.6**	58.7
Secured loans		**1.4**	3.1
Trade and other receivables		**1.5**	3.1
		1,180.1	1,202.8
Current assets			
Inventories	3.1	**4,824.3**	4,516.7
Secured loans		**1.2**	0.3
Trade and other receivables		**223.6**	226.8
Cash and cash equivalents	5.1	**958.3**	982.4
		6,007.4	5,726.2
Total assets		**7,187.5**	6,929.0
Liabilities			
Non-current liabilities			
Loans and borrowings	5.1	**(200.0)**	(191.1)
Trade and other payables		**(413.5)**	(566.7)
Deferred tax liabilities		**(17.6)**	(25.3)
		(631.1)	(783.1)
Current liabilities			
Trade and other payables		**(1,587.9)**	(1,462.4)
Current tax liabilities		**(99.5)**	(85.8)
		(1,687.4)	(1,548.2)
Total liabilities		**(2,318.5)**	(2,331.3)
Net assets		**4,869.0**	4,597.7
Equity			
Share capital	5.4	**101.7**	101.3
Share premium		**239.3**	232.6
Merger reserve		**1,109.0**	1,109.0
Retained earnings		**3,412.1**	3,147.3
Equity attributable to the owners of the Company		**4,862.1**	4,590.2
Non-controlling interests	4.1	**6.9**	7.5
Total equity		**4,869.0**	4,597.7

1 The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

Group Cash Flow Statement

Year ended 30 June 2019

	Notes	2019 £m	2018[1] £m
Reconciliation of operating profit to cash flow from operating activities			
Operating activities:			
Profit from operations		**901.1**	862.6
Depreciation		**4.3**	5.4
Profit on disposal of subsidiary undertaking	**4.1.2**	**(0.6)**	-
(Reversal of impairment)/impairment of inventories		**(14.8)**	3.3
Profit on redemption of secured loans		**(1.2)**	(1.9)
Impairment of investment in entities accounted for using the equity method		**-**	2.1
Share-based payments charge		**14.1**	11.0
Imputed interest on deferred term payables[2]	**5.2**	**(21.5)**	(34.3)
Amortisation of facility fees	**5.2**	**(2.8)**	(2.1)
Finance income related to employee benefits	**5.2**	**2.0**	0.6
Total non-cash items		**(20.5)**	(15.9)
Increase in inventories		**(291.9)**	(44.6)
Increase in trade and other receivables		**(4.3)**	(39.4)
Decrease in trade and other payables		**(53.3)**	(102.3)
Decrease in secured loans		**2.0**	2.4
Total movements in working capital		**(347.5)**	(183.9)
Interest paid		**(11.6)**	(11.8)
Tax paid		**(160.2)**	(136.7)
Net cash inflow from operating activities		**361.3**	514.3
Investing activities:			
Purchase of property, plant and equipment		**(7.2)**	(7.5)
Consideration, net of cash acquired, paid on acquisition of subsidiaries	**4.1.3**	**(15.8)**	-
Proceeds, net of cash disposed of, from the disposal of subsidiaries		**4.6**	-
Increase in amounts invested in entities accounted for using the equity method		**(51.0)**	(58.6)
Repayment of amounts invested in entities accounted for using the equity method		**66.9**	11.7
Dividends received from investments accounted for using the equity method		**60.3**	41.8
Proceeds from the disposal of investments accounted for using the equity method	**4.1.2**	**18.6**	-
Interest received		**5.1**	2.9
Net cash inflow/(outflow) from investing activities		**81.5**	(9.7)
Financing activities:			
Dividends paid to equity holders of the Company	**2.3**	**(452.3)**	(434.9)
Distribution made to non-controlling partner	**4.1.1**	**-**	(1.4)
Purchase of own shares		**(21.7)**	(3.3)
Proceeds from disposal of own shares		**-**	0.1
Proceeds from issue of share capital		**7.1**	8.4
Loan repayments		**-**	(69.6)
Drawdown of loans including issue of sterling US private placement notes		**-**	200.0
Cancellation of swaps		**-**	(5.9)
Net cash outflow from financing activities		**(466.9)**	(306.6)
Net (decrease)/increase in cash and cash equivalents		**(24.1)**	198.0
Cash and cash equivalents at the beginning of the year		**982.4**	784.4
Cash and cash equivalents at the end of the year	**5.1**	**958.3**	982.4

[1] The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

[2] The Balance Sheet movements in land and certain interest free loans include non-cash movements due to imputed interest. Imputed interest is therefore included within non-cash items in the statement above.

Section 1 – Basis of preparation

1.1 Cautionary statement

The Chairman's Statement and Chief Executive's Statement commentary contained in this Annual Results Announcement, including the principal risks and uncertainties (note 7.4), 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.

1.2 Basis of preparation

Whilst the financial information included in this Annual Results Announcement has been prepared in accordance with IFRS as issued by the IASB, IFRIC interpretations and SIC interpretations as adopted and endorsed by the EU, this announcement does not itself contain sufficient information to comply with IFRS. Full Financial Statements that comply with IFRS are included in the 2019 Annual Report and Accounts which will be circulated to shareholders in September 2019 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 2019 Annual Report and Accounts which have not changed from those adopted in the Group's 2018 Annual Report and Accounts except as disclosed in note 1.4.

This Annual Results Announcement has been prepared under the historical cost convention as modified by the revaluation of secured loans and share-based payments.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of condensed consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of the amounts, actual results may ultimately differ from those estimates. The Directors have made no individual critical accounting judgements that have a significant impact upon the Financial Statements, apart from those involving estimations.

The most significant estimates made by the Directors in these condensed consolidated financial statements are:

- Margin recognition – see section 2
- Impairment of goodwill and indefinite life brands – see note 4.2.1

1.3 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 Chief Executive's statement. 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 7.4 and financial risks including liquidity risk, market risk, credit risk and capital risk are outlined in note 5.3 to these condensed consolidated financial statements.

The financial performance of the Group is dependent upon the wider economic environment in which the Group operates. As explained in the Risk management section in note 7.4, factors that particularly affect the performance of the Group include changes in the UK and European macroeconomic environments, including but not limited to, the impact of the UK's forthcoming exit from the EU and any change or removal of the Government's Help to Buy scheme, flat or negative economic growth, inflation, interest rates, buyer confidence, mortgage availability, competitor pricing and falls in house prices or land values. In forming their conclusion, the Directors have considered all currently available information about the potential future outcomes of events and changes in conditions that are reasonably possible at the time of making this statement. In doing this they have concluded that no material uncertainties exist.

At 30 June 2019 the Group had total committed facilities and private placement notes of £900.0m. The £700.0m RCF matures in November 2023 and the £200.0m sterling USPP notes mature in August 2027. The RCF and USPP notes provide appropriate headroom above our current forecast debt requirements.

Accordingly, after making enquiries and having considered forecasts and appropriate sensitivities, the Directors have formed a judgement, at the time of approving the 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 12 months from the date of these condensed consolidated financial statements. For this reason, they continue to adopt the going concern basis in the preparation of these condensed consolidated financial statements.

1.4 Adoption of new and revised standards

During the year ended 30 June 2019 the Group has adopted the following new and revised standards:

- **IFRS 15 'Revenue from Contracts with Customers':**

This standard became effective for accounting periods beginning on or after 1 January 2018 and was applicable to the Group from 1 July 2018, replacing IAS 18 'Revenue', IAS 11 'Construction contracts' and related interpretations. The standard sets out requirements for revenue recognition from contracts with customers. The standard requires that revenue to which the Group expects to be entitled from a contract with a customer is allocated to each performance obligation within that contract and then recognised as that obligation is satisfied.

The Group has applied IFRS 15 using the cumulative effect method and therefore comparative information has not been restated.

The Group's revenue derives principally from the sale of the homes we build and from the sale of commercial property. Revenue is normally recognised at legal completion. For certain contracts with registered providers, or other customers, revenue is recognised over time. The point of recognition of the main revenue streams is unchanged following adoption of the new standard; however, the recognition of a number of associated income streams has been adjusted.

Warranty

The Group previously offered a five-year warranty on sales of private homes. Under previous standards, no adjustment was made to revenue to reflect this warranty when the property was sold, although an allowance for future costs associated with the warranty was held within the Balance Sheet. An element of this warranty represents a separate performance obligation. On transition to IFRS 15, an element of the sales price of homes previously sold with this warranty has been deferred and will be recognised over the warranty period in the Income Statement, with the majority of this revenue and cost of sales recognised by the end of FY20. Opening reserves have been reduced by £3.4m on transition as a result of this adjustment, and an additional £10.0m of revenue offset by £8.0m cost of sales has been recognised in the year.

Part-exchange transactions

The standard has also required presentational changes to our Income Statement to include part-exchange income and expenses below gross margin. Previously, the income and costs were recognised on a net basis within cost of sales since part-exchange transactions were treated as linked with the sale of new builds. Under IFRS 15 this is a separate transaction, but is not considered to be a principal activity of the Group and is therefore reclassified to sundry income, within administrative expenses, rather than revenue. Gross profit in the year has been reduced by £3.2m as a result of this adjustment.

Introductory and contract management fees

Under the new standard, introductory and other fees payable to customers in exchange for services are recognised in cost of sales. Previously these were deducted from revenue. Management fees on commercial projects are recognised in revenue rather than other income within administrative expenses. As a result, an extra £2.7m of revenue has been recognised in the year, offset in cost of sales and administration expenses.

The impact of these changes on revenue and profits is shown below, and a summary of the impact of the adoption of IFRS 15 on the condensed consolidated financial statements is included in note 1.5.

Impact on Consolidated Income Statement:	Adjustments in respect of warranty arrangements £m	Adjustments in respect of part-exchange transactions £m	Adjustments in respect of introductory fees £m	Adjustments in respect of contract management fees £m	**Total adjustments in respect of the adoption of IFRS 15 £m**
Revenue	10.0	-	0.5	2.2	**12.7**
Cost of sales	(8.0)	(3.2)	(0.5)	(0.5)	**(12.2)**
Gross profit	2.0	(3.2)	-	1.7	**0.5**
Part-exchange income	-	341.1	-	-	**341.1**
Part-exchange expenses	-	(337.9)	-	-	**(337.9)**
Administrative expenses (excluding part-exchange)	-	-	-	(1.7)	**(1.7)**
Administrative expenses	-	3.2	-	(1.7)	**1.5**
Profit from operations	2.0	-	-	-	**2.0**

- **IFRS 9 'Financial Instruments':**

This standard became effective for accounting periods beginning on or after 1 January 2018 and was applicable to the Group from 1 July 2018 replacing IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduced new requirements for the classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

The changes resulting from the adoption of IFRS 9 are discussed below, and the impact on the condensed consolidated financial statements which is not material are summarised in note 1.5.

Classification and measurement of financial assets

Under IFRS 9 the Group's remaining secured loans, previously classified as available for sale assets under IAS 39, were reclassified as Fair Value through Profit and Loss and as a result future changes in fair value will be posted to the Income Statement rather than in other comprehensive income. No adjustments were required in respect of amounts previously dealt with in other comprehensive income, since following the sale of the majority of the Group's available for sale assets in February 2016, fair value adjustments previously held in equity were realised and transferred to the Income Statement.

Impairment of financial assets

The impairment requirements of IFRS 9 have required the Group to consider the expected credit losses for financial assets held at the reporting date. The Directors have reviewed the Group's financial assets and assessed the credit risk of each category of asset and concluded that there is no material impact on the Group's Financial Statements. The main financial assets of the Group are cash and cash equivalents which are placed on deposit with a number of financial institutions, and are assessed to have a low credit risk. Trade and other receivables include amounts due from Homes England in respect of the Help to Buy scheme which are also assessed as low risk, together with other receivables.

Classification and measurement of financial liabilities

All of the Group's financial liabilities are held at amortised cost. Under IFRS 9 a renegotiated land creditor arrangement has been deemed a modification resulting in a reduction in opening reserves of £1.1m and a reduction in finance costs of £0.2m in the current year.

Hedge accounting

The Group currently has no qualifying hedge relationships under IFRS 9 or IAS 39.

There has been no impact on the Financial Statements as a result of:

- **Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions'**;
- **Amendments to IAS 40 'Transfers of Investment Property'**;
- **IFRIC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'**; and
- **Annual Improvements to IFRS Standards 2014-2016 Cycle**.

1.5 Impact of changes in accounting policies

The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. The tables below summarise the impact of the changes in accounting policies on the Income Statement, Balance Sheet and Cash Flow Statement of the Group.

Impact on Consolidated Income Statement:	**Year ended 30 June 2019 as reported**	Adjustments in respect of the adoption of IFRS 15	Adjustments in respect of the adoption of IFRS 9	Year ended 30 June 2019 before adjustments for the adoption of new accounting policies
	£m	£m	£m	£m
Revenue	**4,763.1**	12.7	-	4,750.4
Cost of sales	**(3,678.9)**	(12.2)	-	(3,666.7)
Gross profit	**1,084.2**	0.5	-	1,083.7
Part-exchange income	**341.1**	341.1	-	-
Part-exchange expenses	**(337.9)**	(337.9)	-	-
Administrative expenses (excluding part-exchange)	**(186.3)**	(1.7)	-	(184.6)
Administrative expenses	**(183.1)**	1.5	-	(184.6)
Profit from operations	**901.1**	2.0	-	899.1
Finance income	**7.1**	-	-	7.1
Finance costs	**(35.9)**	-	0.2	(36.1)
Net finance costs	**(28.8)**	-	0.2	(29.0)
Share of post-tax profit from joint ventures	**39.2**	-	-	39.2
Loss on disposal of joint ventures	**(1.7)**	-	-	(1.7)
Profit before tax	**909.8**	2.0	0.2	907.6
Tax	**(170.4)**	(0.4)	-	(170.0)
Profit for the year	**739.4**	1.6	0.2	737.6
Earnings per share from continuing operations				
Basic	**73.2p**	0.1p	-	73.1p
Diluted	**72.3p**	0.2p	-	72.1p

Impact on Group Balance Sheet:	**As at 30 June 2019 as reported** **£m**	Adjustments in respect of the adoption of IFRS 15 £m	Adjustments in respect of the adoption of IFRS 9 £m	As at 30 June 2019 before adjustments for the adoption of new accounting policies £m
Assets				
Non-current assets				
Non-current assets per balance sheet	**1,180.1**	-	-	1,180.1
Prepayments	**-**	-	(0.9)	0.9
	1,180.1	-	(0.9)	1,181.0
Current assets				
Trade and other receivables	**223.6**	-	(0.3)	223.9
Other current assets	**5,783.8**	-	-	5,783.8
	6,007.4	-	(0.3)	6,007.7
Total assets	**7,187.5**	-	(1.2)	7,188.7
Liabilities				
Non-current liabilities				
Trade and other payables	**(413.5)**	-	0.4	(413.9)
Other non-current liabilities	**(217.6)**	-	-	(217.6)
	(631.1)	-	0.4	(631.5)
Current liabilities				
Trade and other payables	**(1,587.9)**	(1.4)	-	(1,586.5)
Current tax liabilities	**(99.5)**	(0.4)	-	(99.1)
	(1,687.4)	(1.8)	-	(1,685.6)
Total liabilities	**(2,318.5)**	(1.8)	0.4	(2,317.1)
Net assets	**4,869.0**	(1.8)	(0.8)	4,871.6
Equity				
Retained earnings	**3,412.1**	(1.8)	(0.8)	3,414.7
Other reserves and capital	**1,450.0**	-	-	1,450.0
Non-controlling interests	**6.9**	-	-	6.9
Total equity	**4,869.0**	(1.8)	(0.8)	4,871.6

Impact on Group Cash Flow Statement:	**Year ended 30 June 2019 as reported** **£m**	Adjustments in respect of the adoption of IFRS 15 £m	Adjustments in respect of the adoption of IFRS 9 £m	Year ended 30 June 2019 before adjustments for the adoption of new accounting policies £m
Profit from operations	**901.1**	2.0	-	899.1
Imputed interest on deferred term payables	**(21.5)**	-	0.2	(21.7)
Other non-cash items	**1.0**	-	-	1.0
Total non-cash items	**(20.5)**	-	0.2	(20.7)
Increase in inventories	**(291.9)**	-	-	(291.9)
Increase in trade and other receivables	**(4.3)**	-	(0.2)	(4.1)
Decrease in trade and other payables	**(53.3)**	(2.0)	-	(51.3)
Decrease in secured loans	**2.0**	-	-	2.0

Total movements in working capital	**(347.5)**	(2.0)	(0.2)	(345.3)
Interest paid	**(11.6)**	-	-	(11.6)
Tax paid	**(160.2)**	-	-	(160.2)
Net cash inflow from operating activities	**361.3**	-	-	361.3
Net cash inflow from investing activities	**81.5**	-	-	81.5
Net cash outflow from financing activities	**(466.9)**	-	-	(466.9)
Net decrease in cash and cash equivalents	**(24.1)**	-	-	(24.1)
Cash and cash equivalents at the beginning of the period	**982.4**	-	-	982.4
Cash and cash equivalents at the end of the period	**958.3**	-	-	958.3

Section 2 – Results for the year and utilisation of profits

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

Management have performed a sensitivity analysis to assess the impact of a change in estimated costs for developments on which sales were recognised in the year. A 1% increase in estimated costs recognised in the year, which is considered to be reasonably possible, would reduce the Group's gross margin by 60bps.

2.1 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	Commercial developments	2019 Total	House-building	Commercial developments	2018[1] Total
	number	**number**	**number**	number	number	number
Residential completions [2]	**17,111**	**–**	**17,111**	16,680	–	16,680
Consolidated Income Statement	**£m**	**£m**	**£m**	£m	£m	£m
Revenue	**4,732.0**	**31.1**	**4,763.1**	4,827.0	47.8	4,874.8
Cost of sales	**(3,657.0)**	**(18.7)**	**(3,675.7)**	(3,821.6)	(37.3)	(3,858.9)
(Costs)/credits associated with legacy properties [3]	**(6.9)**	**3.7**	**(3.2)**	(4.0)	(3.0)	(7.0)
Gross profit	**1,068.1**	**16.1**	**1,084.2**	1,001.4	7.5	1,008.9
Administrative expenses	**(177.7)**	**(5.4)**	**(183.1)**	(143.8)	(2.5)	(146.3)
Profit from operations	**890.4**	**10.7**	**901.1**	857.6	5.0	862.6
Share of post-tax profit/(loss) and loss on disposals from JVs and associates	**45.3**	**(0.8)**	**44.5**	18.5	(0.5)	18.0
Costs associated with JV legacy properties[3]	**(7.0)**	**–**	**(7.0)**	–	–	–
Profit from operations including post-tax profit/(loss) from JVs and associates	**928.7**	**9.9**	**938.6**	876.1	4.5	880.6
Finance income			**7.1**			3.5
Finance costs			**(35.9)**			(48.6)
Profit before tax			**909.8**			835.5
Tax			**(170.4)**			(164.0)
Profit for the year from continuing operations			**739.4**			671.5

1 The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

2 Residential completions exclude JV completions of 745 (2018: 899) in which the Group has an interest.

3 During the year charges of £6.9m were recognised in respect of costs associated with legacy properties (2018: £4.0m). An amount of £3.7m was released following the disposal of a legacy commercial asset (2018: £3.0m provided in respect of costs associated with legacy commercial assets). During the year a charge of £7.0m (2018: £nil) was recognised in respect of costs associated with JV legacy properties. These amounts have been separately disclosed in the Income Statement.

Balance Sheet	House-building £m	Commercial developments £m	2019 Total £m	House-building £m	Commercial developments £m	2018[1] Total £m
Segment assets	**6,246.7**	**11.8**	**6,258.5**	5,959.9	16.9	5,976.8
Elimination of intercompany balances			**(29.3)**			(30.2)
			6,229.2			5,946.6
Cash and cash equivalents			**958.3**			982.4
Consolidated total assets			**7,187.5**			6,929.0
Segment liabilities	**(1,976.6)**	**(54.1)**	**(2,030.7)**	(1,995.8)	(63.5)	(2,059.3)
Elimination of intercompany balances			**29.3**			30.2
			(2,001.4)			(2,029.1)
Loans and borrowings			**(200.0)**			(191.1)
Deferred tax liabilities			**(17.6)**			(25.3)
Current tax liabilities			**(99.5)**			(85.8)
Consolidated total liabilities			**(2,318.5)**			(2,331.3)

1 The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

Other information	House-building £m	Commercial developments £m	2019 Total £m	House-building £m	Commercial developments £m	2018 Total £m
Capital additions	**7.2**	**-**	**7.2**	7.5	-	7.5
Capital additions – acquired with subsidiary	**2.9**	**-**	**2.9**	-	-	-
Depreciation	**4.3**	**-**	**4.3**	5.4	-	5.4

2.2 Earnings per share

The earnings per share from continuing operations were as follows:

	2019 pence	2018[1] pence
Basic earnings per share	**73.2**	66.5
Diluted earnings per share	**72.3**	65.9

1 The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust that do not attract dividend equivalents which are treated as cancelled.

Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares in issue adjusted to assume conversion of all potentially dilutive share options from the start of the year.

	2019	2018[1]
Profit attributable to ordinary shareholders of the Parent Company (£m)	**740.0**	671.7
Weighted average number of shares in issue (million)	**1,014.2**	1,011.7
Weighted average number of shares in EBT (million)	**(3.8)**	(1.0)

Weighted average number of shares for basic earnings per share (million)	**1,010.4**	1,010.7
Weighted average number of shares in issue (million)	**1,014.2**	1,011.7
Adjustment to assume conversion of all potentially dilutive shares (million)	**10.0**	8.3
Weighted average number of shares for diluted earnings per share (million)	**1,024.2**	1,020.0

[1] The Group has applied IFRS 15 using the cumulative effect method. Comparatives have not been restated in respect of the adoption of IFRS 15 or IFRS 9. Further information on the initial application of these standards can be found in notes 1.4 and 1.5.

2.3 Dividends

	2019 £m	2018 £m
Amounts recognised as distributions to equity shareholders in the year:		
Final dividend for the year ended 30 June 2018 of 17.9p (2017: 17.1p) per share	**180.6**	172.9
Special dividend for the year ended 30 June 2018 of 17.3p (2017: 17.3p) per share	**174.6**	175.0
Interim dividend for the year ended 30 June 2019 of 9.6p (2018: 8.6p) per share	**97.1**	87.0
Total dividends distributed to equity shareholders in the year	**452.3**	434.9

	2019 £m	2018 £m
Proposed final dividend for the year ended 30 June 2019 of 19.5p (2018: 17.9p) per share	**197.1**	181.1
Proposed special dividend for the year ended 30 June 2019 of 17.3p (2018: 17.3p) per share	**175.0**	175.0

The proposed final dividend and the special dividend are subject to approval by shareholders at the Annual General Meeting. The cost has been calculated based on the eligible issued share capital at 30 June 2019 and has not been included as a liability at 30 June 2019.

2.4 Tax

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

The current year tax charge has been provided for, by the Group, at a standard effective rate of 19.0% (2018: 19.0%) and the closing deferred tax assets and liabilities have been provided in these condensed consolidated financial statements at a rate of between 17.0% and 19.0% (2018: between 17.0% and 19.0%) of the temporary differences giving rise to these assets and liabilities, dependent upon when they are expected to reverse.

2.4.1 Tax recognised in the Income Statement

The tax expense represents the sum of the tax currently payable and deferred tax.

Analysis of the tax charge for the year

	2019 £m	2018 £m
Current tax:		
UK corporation tax for the year	**176.3**	161.0
Adjustment in respect of previous years	**(1.7)**	(6.5)
	174.6	154.5
Deferred tax:		
Origination and reversal of temporary differences	**(5.0)**	(1.4)
Adjustment in respect of previous years	**0.2**	10.9
Impact of reduction in corporation tax rate	**0.6**	-
	(4.2)	9.5
Tax charge for the year	**170.4**	164.0

Factors affecting the tax charge for the year

The tax rate assessed for the year is lower (2018: higher) than the standard effective rate of corporation tax in the UK of 19.0% (2018: 19.0%). The differences are explained below:

	2019 £m	2018 £m
Profit before tax	**909.8**	835.5
Profit before tax multiplied by the standard rate of corporation tax of 19.0% (2018: 19.0%)	**172.9**	158.7
Effects of:		
Other items including non-deductible expenses	**0.5**	3.3
Additional tax relief for land remediation costs	**(2.0)**	(2.1)
Adjustment in respect of previous years	**(1.5)**	4.4
Adjustment for post-tax profits of certain JVs included in Group profit before tax	**(0.1)**	(0.3)
Impact of change in tax rate on deferred tax liability	**0.6**	-
Tax charge for the year	**170.4**	164.0

2.4.2 Tax recognised in equity

In addition to the amount charged to the Consolidated Income Statement, a net current and deferred tax credit of £4.5m (2018: £5.1m charge) was recognised directly in equity.

Section 3 – Working capital

3.1 Inventories

	2019 £m	2018 £m
Land held for development	**3,071.6**	2,963.4
Construction work in progress	**1,632.8**	1,463.1
Part-exchange properties and other inventories	**119.9**	90.2
	4,824.3	4,516.7

3.1.1 Nature and carrying value of inventories

The Group's principal activities are housebuilding and commercial development. The majority of the development activity is not contracted prior to the development commencing. Accordingly, the Group has in its Balance Sheet at 30 June 2019 current assets that are not covered by a forward sale. The Group's internal controls are designed to identify any developments where the balance sheet value of land and work in progress is more than the projected lower of cost or net realisable value. During the year the Group has conducted six-monthly reviews of the net realisable value of specific sites identified as at high risk of impairment, based upon a number of criteria including low site profit margins and sites with no forecast completions. Where the estimated net realisable value of a site was less than its current carrying value the Group has impaired the land and work in progress value.

During the year, due to performance variations, changes in assumptions and changes to viability on individual sites, there were gross impairment charges of £5.5m (2018: £13.2m) and gross impairment reversals of £20.3m (2018: £9.9m), resulting in a net impairment reversal of £14.8m (2018: £3.3m charge) included within profit from operations.

The key estimates in these reviews are those used to estimate the realisable value of a site, which is determined by forecast sales rates, expected sales prices and estimated costs to complete.

The Directors consider all inventories to be essentially current in nature, although the Group's operational cycle is such that a proportion of inventories will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised as this will be subject to a number of variables such as consumer demand and planning permission delays.

3.1.2 Expensed inventories

The value of inventories expensed in the year ended 30 June 2018 and included in cost of sales was £3,502.7m (2018: £3,619.7m).

Section 4 – Business combinations and other investing activities

4.1 Business combinations

4.1.1 Non-controlling interests

Movement in non-controlling interest share of net assets recognised in the Consolidated Balance Sheet	**2019 £m**	2018 £m
At 1 July	**7.5**	9.1
Distribution of profits to non-controlling partner	**-**	(1.4)
Share of loss for the year recognised in the Consolidated Income Statement	**(0.6)**	(0.2)
At 30 June	**6.9**	7.5

4.1.2 Disposal of Group subsidiary undertakings

On 16 March 2019 the Group disposed of the entire share capital of its wholly owned subsidiary Barratt Residential Asset Management Limited ('BRAM') for a total consideration, received in cash, of £5.25m. The gain recognised by the Group on disposal and included within administrative expenses was £0.6m.

On 29 June 2019 the Group disposed of its subsidiary Barratt London Investments Limited ('BLIL') including the Group's 50% interests in Aldgate Place (GP) Limited, The Aldgate Place Limited Partnership, Aldgate Land One Limited and Aldgate Land Two Limited which were held by that company. The Group received cash consideration of £18.6m for the net assets of BLIL (being its investments in its JVs), recognising a £1.7m loss on disposal.

Financial information relating to these subsidiaries for the period from 1 July 2018 to their disposal, which is consolidated within these condensed consolidated financial statements, is set out below:

	BRAM £m	**BLIL and its JVs £m**
Net operating expense	(0.6)	**-**
Operating loss	(0.6)	**-**
Net finance costs	**-**	**-**
Group share of loss from JVs	**-**	(0.2)
Loss before taxation	(0.6)	(0.2)

4.1.3 Group acquisition of subsidiary undertakings

On 27 June 2019 the Group acquired 100% of the share capital of Oregon Timber Frame Limited, which owns 100% of the share capital of Oregon Contract Management Limited. Oregon was established in 1998 and is one of the UK's largest timber frame manufacturers. It specialises in the manufacture and erection of high quality timber frame superstructures. Further details on the strategic rationale for the acquisition are included in the Strategic report in the Annual Report and Accounts.

Details of the purchase consideration, net assets acquired and the resulting goodwill are as follows:

	2019 £m
Cash paid	**18.7**
Deferred consideration	**4.1**
Total purchase consideration	**22.8**

Net assets and liabilities recognised as a result of the acquisition:	Fair value £m
Intangible assets	**2.3**
Tangible assets	**2.9**
Inventories	**0.9**
Trade and other receivables	**4.7**
Cash	**2.9**
Trade and other payables	**(4.0)**
Provisions	**(0.6)**
Net identifiable assets acquired	**9.1**
Goodwill	**13.7**
Net assets acquired	**22.8**

The assets and liabilities acquired have been recognised at their acquisition-date fair values. The fair value of trade and other receivables is equal to the gross contractual amounts receivable.

Goodwill arises as a result of operational synergies between Oregon and the Group's existing housebuilding segment.

No revenue or profit contribution is recognised in the Consolidated Income Statement in respect of Oregon. If the acquisition had occurred on 1 July 2018, consolidated pro-forma revenue and profit for the year ended 30 June 2019, based on Oregon's results for the year adjusted for intercompany transactions and differences in accounting policies, would have been £4,788.8m and £740.5m respectively. Acquisition costs of £0.9m are included in administrative expenses in the Consolidated Income Statement and in operating cash flows in the Cash Flow Statement.

The Group's cash outflow in respect of the acquisition is as follows:

	2019 £m
Cash consideration	**(18.7)**
Balances acquired:	
Cash	**2.9**
Net outflow of cash – investing activities	**(15.8)**

There were no acquisitions in the year ended 30 June 2018.

4.2 Goodwill

	2019 £m	2018 £m
Cost		
At 1 July	**816.7**	816.7
Arising on acquisition during the year	**13.7**	-
At 30 June	**830.4**	816.7
Accumulated impairment losses		
At 30 June	**24.5**	24.5
Carrying amount		
At 30 June	**805.9**	792.2

During the year the Group acquired all of the share capital of Oregon Timber Frame Limited (note 4.1.3). Goodwill arising on the acquisition of £13.7m has been capitalised and allocated to the Group's housebuilding segment.

The Group's goodwill relating to the acquisition of Wilson Bowden Limited in 2007 has a carrying value of £792.2m relating to the housebuilding segment. The goodwill relating to the commercial developments segment, with a cost of £24.5m, was fully impaired in the year ended 30 June 2008.

4.2.1 Impairment of goodwill and indefinite life brands

The Group conducts an annual impairment review of goodwill and indefinite life brands together for the housebuilding segment.

Impairment of goodwill and indefinite life brands - The impairment review for the goodwill of the housebuilding business and the Group's indefinite life brand, David Wilson Homes, requires an estimation of the value-in-use of the housebuilding segment. The value-in-use calculation requires an estimate of the future cash flows expected from the housebuilding business, including the anticipated growth rate of revenue and costs, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. The discount rate used is based on the target capital structure, current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. Changes in these may impact upon the Group's discount rate in future periods. The sensitivity of the valuation of goodwill and brands to changes in expectations is set out in this note.

An impairment review was performed at 30 June 2019 and compared the value-in-use of the housebuilding segment with the carrying value of its tangible and intangible assets and allocated goodwill.

The value-in-use was determined by discounting the expected future cash flows of the housebuilding segment. The first two years of cash flows were determined using the Group's approved detailed site-by-site business plan. The cash flows for the third to the fifth years were determined using Group level internal forecast cash flows based upon expected volumes, selling prices and margins, taking into account available land purchases and work-in-progress levels. The cash flows for year six onwards were extrapolated in perpetuity using an estimated growth rate of 1%, which was based upon the historical long term growth rate of the UK economy.

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

- Discount rate: this is a pre-tax rate reflecting current market assessments of the time value of money and risks appropriate to the Group's housebuilding business. Accordingly, the rate of 15.2% (2018: 14.5%) is considered by the Directors to be the appropriate pre-tax risk adjusted discount rate, being the Group's estimated long term pre-tax weighted average cost of capital.
- Expected changes in selling prices for completed houses and the related impact on operating margin: these are determined on a site-by-site basis for the first two years dependent upon local market conditions and product type. For years three to five, these have been estimated at a Group level based upon past experience and expectations of future changes in the market, taking into account external market forecasts.
- Sales volumes: these are determined on a site-by-site basis for the first two years dependent upon local market conditions, land availability and planning permissions. For years three to five, these have been estimated at a Group level based upon past experience and expectations of future changes in the market, taking into account external market forecasts.
- Expected changes in site costs to complete: these are determined on a site-by-site basis for the first two years dependent upon the expected costs of completing all aspects of each individual development. For years three to five, these have been estimated at a Group level based upon past experience and expectations of future changes in the market, taking into account external market forecasts.

The result of the value-in-use exercise concluded that the recoverable value of goodwill and intangible assets exceeded its carrying value by £2,095.6m (2018: £1,731.4m) and there has been no impairment.

Management have performed a sensitivity analysis in assessing recoverable amounts of goodwill, based on changes in key assumptions considered to be possible. A 5% fall in sales volumes would reduce the headroom over carrying value by £408.7m and no impairment would arise.

Section 5 – Capital structure and financing

5.1 Net cash

Net cash is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings, prepaid fees and foreign exchange swaps.

Net cash at 30 June is shown below:

	Notes	2019 £m	2018 £m
Cash and cash equivalents	**5.1.1**	**958.3**	982.4
Drawn debt			
Borrowings			
Sterling US private placement notes		**(200.0)**	(200.0)
Prepaid fees[1]		**-**	8.9
Total borrowings being total drawn debt		**(200.0)**	(191.1)
Prepaid fees[1]		**7.4**	-
Net cash		**765.7**	791.3
Total borrowings at 30 June are analysed as:			
Non-current borrowings		**(200.0)**	(191.1)
Total borrowings being total drawn debt		**(200.0)**	(191.1)

1 Prepaid fees included in net cash were presented within total borrowings in prior periods. In the current period these are included in the Balance Sheet within prepayments. Prior year balances have not been restated for this presentational change.

Movement in net cash, including a reconciliation of liabilities arising from financing activities, is analysed as follows:

	2019 £m	2018 £m
Net (decrease)/increase in cash and cash equivalents	**(24.1)**	198.0
Repayment/(drawdown) of borrowings including issue of sterling US private placement notes:		
Loan repayments	-	21.4
Repayment of US Dollar private placement notes	-	48.4
Issue of sterling US private placement notes	-	(200.0)
Other movements in borrowings:		
Movement in prepaid fees	(1.5)	(0.2)
Foreign exchange loss on US Dollar private placement notes	**-**	(0.8)
Foreign exchange gain on swaps	-	0.8
Movement in net cash in the year	**(25.6)**	67.6
Opening net cash	**791.3**	723.7
Closing net cash	**765.7**	791.3

5.1.1 Cash and cash equivalents

Cash and cash equivalents are held at floating interest rates linked to the UK bank rate, LIBOR and money market rates as applicable. Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less from inception and are subject to an insignificant risk of changes in value.

5.1.2 Borrowings and facilities

All debt facilities at 30 June 2019 are unsecured.

The principal features of the Group's debt facilities at 30 June 2019 and 30 June 2018 were as follows:

		Amount drawn		
	Facility	**30 June 2019**	30 June 2018	**Maturity**
Committed facilities				
RCF	£700.0m	**–**	–	22 November 2023[1]
Fixed rate sterling USPP notes	£200.0m	**£200.0m**	£200.0m	22 August 2027

1 On 22 November the Group's £700.0m revolving credit facility was amended and extended from December 2022 to November 2023.

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

Weighted average interest rates are disclosed in note 5.2.

5.2 Net finance costs

Recognised in the Consolidated Income Statement:

	Notes	**2019 £m**	2018 £m
Finance income			
Finance income on short term bank deposits		**(2.8)**	(1.1)
Finance income related to employee benefits	**6.1**	**(2.0)**	(0.6)
Other interest receivable		**(2.3)**	(1.8)
		(7.1)	(3.5)
Finance costs			
Interest on loans and borrowings		**9.7**	9.8
Imputed interest on deferred term payables		**21.5**	34.3
Amounts reclassified to the Income Statement in respect of hedged cash flows		**-**	(0.8)
Foreign exchange losses on US Dollar debt		**-**	0.8
Amortisation of facility fees		**2.8**	2.1
Other interest payable		**1.9**	2.4
		35.9	48.6
Net finance costs		**28.8**	45.1

Recognised in equity:

	2019 £m	2018 £m
Amounts deferred in respect of effective cash flow hedges	**-**	(0.8)
Total fair value movement on cash flow swaps included in equity	**-**	(0.8)
Amounts reclassified to the Income Statement in respect of hedged cash flows	**-**	0.8
Total fair value movement on cash flow swaps transferred from equity	**-**	0.8

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

		Group
	2019 %	2018 %
Government loans	**-**	1.7
USPP notes	**2.8**	3.0

5.3 Financial risk management

The Group's approach to risk management and the principal operational risks of the business are detailed in note 7.4.

The Group's operations and financing arrangements expose it to a variety of financial risks of which the most material are: credit risk, liquidity risk, interest rates and the availability of funding at reasonable margins. There is a regular, detailed system for the reporting and forecasting of cash flows from operations to Senior Management including Executive Directors to ensure that liquidity risks are promptly identified and appropriate mitigating actions are taken by the Treasury department. These forecasts are further stress-tested at a Group level on a regular basis to ensure that adequate headroom within facilities and banking covenants is maintained. In addition, the Group has in place a risk management programme that seeks to limit the adverse effects of the other risks on its financial performance.

The Board approves treasury policies and certain day-to-day treasury activities have been delegated to a centralised Treasury Operating Committee, which in turn regularly reports to the Board. The Treasury department implements guidelines that are established by the Board and the Treasury Operating Committee.

5.3.1 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. The Group actively maintains a mixture of long term and medium term committed facilities that are designed to ensure that the Group has sufficient available funds for operations. The Group's borrowings are typically cyclical throughout the financial year and peak in April to May, and October to November of each year, due to seasonal trends in income. Accordingly, the Group maintains sufficient facility headroom to cover these requirements. On a normal operating basis, the Group has a policy of maintaining a minimum headroom of £150.0m. The Group identifies and takes appropriate actions based on its regular, detailed system for the reporting and forecasting of cash flows from its operations. The Group's drawn debt, excluding fees, represented 22.2% (2018: 22.2%) of available committed facilities at 30 June 2019. In addition, the Group had £958.3m (2018: £982.4m) of cash and cash equivalents.

The Group was in compliance with its financial covenants at 30 June 2019. At the date of approval of the condensed consolidated financial statements, the Group's internal forecasts indicate that it will remain in compliance with these covenants for the foreseeable future, being at least 12 months from the date of approval of the Financial Statements.

One of the Group's objectives is to minimise refinancing risk. The Group therefore has a policy that the average maturity of its committed bank facilities and private placement notes is a minimum of two years with a target of two to three years. At 30 June 2019, the average maturity of the Group's facilities was 5.2 years (2018: 5.5 years).

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	**2019 £m**	2018 £m
In more than two years but not more than five years	**700.0**	700.0

In addition, the Group had £95.0m (2018: £81.2m) of undrawn uncommitted facilities available at 30 June 2019.

5.3.2 Market risk (price risk)

Interest rate risk

The Group has both interest bearing assets and interest bearing liabilities. Floating rate borrowings expose the Group to cash flow interest rate risk and fixed rate borrowings expose the Group to fair value interest rate risk.

The Group has a conservative treasury risk management strategy and the Group's interest rates are set using fixed rate debt instruments.

The Group's interest cover ratio is above 15 times and therefore the current policy is to hedge a proportion of the forecast RCF drawings based on the Group's three-year plan. Under this policy, no interest rate hedges are currently required.

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

Group	**Floating rate financial liabilities £m**	**Fixed rate financial liabilities £m**	**Non-interest bearing financial liabilities £m**	**Total £m**
2019				
Financial liability exposure to interest rate risk	**-**	**200.0**	**1,631.1**	**1,831.1**
2018				
Financial liability exposure to interest rate risk	-	200.0	1,692.2	1,892.2

Floating interest rates on sterling borrowings are linked to the UK bank rate, LIBOR and money market rates. The floating rates are fixed in advance for periods generally ranging from one to six months. Short term flexibility is achieved through the use of overdraft, committed and uncommitted bank facilities. The weighted average interest rate for floating rate borrowings in 2019 was 2.0% (2018: 1.6%).

Sterling USPP notes of £200.0m were issued on 22 August 2017 with a fixed coupon of 2.77% and a ten year maturity. These fixed rate notes expose the Group to fair value interest rate risk.

Sensitivity analysis:

In the year ended 30 June 2019, if UK interest rates had been 0.5% higher/lower (considered to be a reasonably possible change) and all other variables were held constant, the Group's pre-tax profit would increase/decrease by £2.2m (2018: £1.6m), the Group's post-tax profit would increase/decrease by £1.8m (2018: £1.3m) and the Group's equity would increase/decrease by £1.8m (2018: £1.3m).

5.3.3 Credit risk

In the majority of cases, the Group receives cash on legal completion for private sales and receives advance stage payments from registered providers for affordable housing. Included within trade and other receivables is £77.6m (2018: £83.5m) due from Homes England in respect of the Help to Buy scheme. Since this receivable is due from a UK Government agency, the Group considers that this receivable has an insignificant risk of default. In addition the Group has £958.3m (2018: £982.4m) on deposit with nine financial institutions. Other than this, the Group has no significant concentration of credit risk, as its exposure is spread over a large number of counterparties and customers.

The Group manages credit risk in the following ways:

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

The maximum exposure to any counterparty at 30 June 2019 was £158.3m (2018: £152.3m) of cash on deposit with a financial institution. The carrying amount of financial assets recorded in the condensed consolidated financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk.

5.3.4 Capital risk management (cash flow risk)

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

The Group manages its share capital as equity, as set out in the Statement of Changes in Shareholders' Equity; and its bank borrowings (being overdrafts, loan notes and bank loans) and its private placement notes as other financial liabilities.

The Group is subject to the prevailing conditions of the UK economy and the quantum of the Group's earnings is dependent upon the level of UK house prices. UK house prices are determined by the UK economy and economic conditions including employment levels, interest rates, consumer confidence, mortgage availability and competitor pricing. The Group's approach to the management of the principal operational risks of the business is set out in the Risk management section in note 7.4.

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 Group is paying a dividend or a special cash payment); issuing new share capital; arranging debt to meet liability payments; and selling assets to reduce debt.

5.4 Share capital

5.4.1 Ordinary share capital

Allotted and issued ordinary shares	**2019 £m**	2018 £m
10p each fully paid: 1,016,985,862 (2018: 1,012,722,682) ordinary shares	**101.7**	101.3

Options over the Company's shares granted during the year	**2019 number**	2018 number
LTPP	**2,940,565**	2,223,717
Sharesave	**1,673,444**	2,755,257
DBP	**644,386**	567,557
ELTIP	**1,221,120**	-
	6,479,515	5,546,531

Allotment of shares during the year	**2019 number**	2018 number
At 1 July	**1,012,722,682**	1,007,899,274
Issued to satisfy early exercises under Sharesave schemes	**39,090**	50,846
Issued to satisfy exercises under matured Sharesave schemes	**1,524,090**	2,567,996
Issued to satisfy vesting of LTPP awards	-	1,711,888
Issued to satisfy exercises under the DBP	-	477,912
Issued to the EBT to satisfy future exercises	**2,700,000**	14,766
At 30 June	**1,016,985,862**	1,012,722,682

5.4.2 Own shares reserve

The own shares reserve represents the cost of shares in Barratt Developments PLC purchased in the market or issued by the Company and held by the EBT. The shares are held on behalf of the Company in order to satisfy options and awards that have been granted by it. Other than shares in the EBT allocated to share schemes which attract dividend equivalents, these ordinary shares do not rank for dividend.

	2019	2018
Ordinary shares in the Company held in the EBT (number)	**6,172,255**	931,605
Cost of shares held in the EBT	**£15.1m**	£1.2m
Market value of shares held in the EBT at 572.6p (2018: 515.4p) per share	**£35.3m**	£4.8m

During the year the EBT purchased 4,000,000 (2018: 483,379) shares in the market and disposed of 58,801 (2018: 736,773) shares in settlement of exercises under the SMSOP 2009/10 and the SMIS; and 1,400,549 (2018: 2,189,800) were used to satisfy the vesting of the 2015 LTPP and the 2015 DBP. 2,700,000 shares (2018: 2,204,566) shares were issued to the EBT at par.

Section 6 – Directors and employees

6.1 Retirement benefit obligations

The Group operates defined contribution and defined benefit pension schemes.

6.1.1 Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees, under which it pays contributions to an independently administered fund. Contributions are based upon a fixed percentage of the employee's pay and once these have been paid, the Group has no further obligations under these schemes.

	2019 £m	2018 £m
Contributions during the year		
Group defined contribution schemes' Consolidated Income Statement charge	**11.5**	9.4

At the balance sheet date, there were outstanding contributions of £2.0m (2018: £1.6m), which were paid on or before the due date.

6.1.2 Defined benefit scheme

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

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

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

The Directors engage a qualified independent actuary to calculate the Group's liability/asset in respect of its defined benefit pension scheme. In calculating this liability/asset, it is necessary for actuarial assumptions to be made, which include estimations of discount rates, salary and pension increases, price inflation, the long term rate of return on scheme assets and mortality. As actual rates of increase and mortality may differ from those assumed, the pension liability/asset may differ from that included in these condensed consolidated financial statements. The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out below.

The most recent full actuarial valuation of the Scheme was carried out at 30 November 2016. The results of this valuation have been updated to 30 June 2019 by a qualified independent actuary. The Group agreed with the Trustees of the Scheme to make contributions to the Scheme of £14.5m per annum from 1 July 2017 until 31 March 2020 (with the increase backdated to 1 April 2017 paid in July 2017) to address the Scheme's actuarial deficit. In addition, during the year ended 30 June 2019 a sum of £4.5m (2018: £nil) was paid to the Trustees in respect of GMP equalisation. The Group also continues to meet the Scheme's administration expenses and Pension Protection Fund levy.

At the balance sheet date, there were outstanding contributions of £1.2m (2018: £1.2m).

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

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

Life expectancy	The majority of the Scheme's obligations are to provide a pension for the life of each of the members, so increases in life expectancy will result in an increase in the liabilities.

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

Principal actuarial assumptions	**2019**	2018
Weighted average assumptions to determine benefit obligations		
Discount rate	**2.31%**	2.91%
Rate of price inflation	**3.38%**	3.30%
Weighted average assumptions to determine net cost		
Discount rate	**2.91%**	2.60%
Rate of price inflation	**3.30%**	3.21%

Members are assumed to exchange 19% of their pension for cash on retirement. The assumptions have been chosen by the Group following advice from Mercer Limited, the Group's actuarial advisers.

The following table illustrates the life expectancy for an average member on reaching age 65, according to the mortality assumptions used to calculate the Scheme liabilities:

Assumptions	**Male**	**Female**
Retired member born in 1954 (life expectancy at age 65)	23.0 years	24.9 years
Non-retired member born in 1974 (life expectancy at age 65)	24.4 years	26.4 years

The base mortality assumptions are based on the SAPS (S2PA) (2018: S2PA) mortality tables with an adjustment to allow for the Scheme members being treated as if they are 1.5 years younger than the population of the S2PA mortality tables. Allowance for future increases in life expectancy is made in line with the CMI 2018 projections with a long term trend of 1.25% per annum (2018: CMI 2017 projections with a long term trend of 1.25% per annum).

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

		Increase in Scheme liabilities	
Assumptions	**Change in assumption**	**£m**	**%**
Discount rate	Decrease by 0.1%	8.2	2.1
Rate of inflation	Increase by 0.1%	3.3	0.8
Life expectancy	Increase by 1 year	18.1	3.6

The changes in the actuarial assumptions used in the calculation of sensitivities were selected on the basis that they are considered reasonably possible changes, and they are the same as those used in the prior year.

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

	2019 £m	2018 £m
Past service cost	**1.7**	-
Interest cost	**10.1**	9.9
Interest income	**(12.1)**	(10.5)
Total pension income recognised in net finance costs in the Consolidated Income Statement	**(2.0)**	(0.6)
Total pension income recognised in the Consolidated Income Statement	**(0.3)**	(0.6)

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

	2019 £m	2018 £m
Expected return less actual return on Scheme assets	**(28.8)**	(11.1)
Loss/(gain) arising from changes in the assumptions underlying the present value of benefit obligations	**44.2**	(18.1)

Total pension remeasurements recognised in the Group Statement of Comprehensive Income	**15.4**	(29.2)

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

	2019 £m	2018 £m
Present value of funded obligations	**393.9**	357.3
Fair value of Scheme assets	**(456.5)**	(416.0)
Surplus for funded Scheme/net asset recognised in the Group Balance Sheet at 30 June	**(62.6)**	(58.7)

	2019 £m	2018 £m
Net asset for defined benefit obligations at 1 July	**(58.7)**	(13.6)
Contributions paid to the Scheme	**(19.0)**	(15.3)
Income recognised in the Consolidated Income Statement	**(0.3)**	(0.6)
Amounts recognised in the Group Statement of Comprehensive Income	**15.4**	(29.2)
Net asset for defined benefit obligations at 30 June	**(62.6)**	(58.7)

A deferred tax liability of £11.6m (2018: £11.1m) 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:

	2019 £m	2018 £m
Present value of defined benefit obligations at 1 July	**357.3**	397.2
Past service cost	**1.7**	-
Interest cost	**10.1**	9.9
Actuarial loss/(gain)	**44.2**	(18.1)
Benefits paid from Scheme	**(19.4)**	(31.7)
Present value of benefit obligations at 30 June	**393.9**	357.3

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

	2019 £m	2018 £m
Fair value of Scheme assets at 1 July	**416.0**	410.8
Interest income	**12.1**	10.5
Actuarial gain on Scheme assets	**28.8**	11.1
Employer contributions	**19.0**	15.3
Benefits paid from Scheme	**(19.4)**	(31.7)
Fair value of Scheme assets at 30 June	**456.5**	416.0

The analysis of Scheme assets was as follows:

		2019		2018
	£m	**%**	£m	%
Quoted equity securities	**67.4**	**14.8**	61.2	14.7
Debt securities	**380.7**	**83.4**	349.2	83.9
Other	**8.4**	**1.8**	5.6	1.4
Total	**456.5**	**100.0**	416.0	100.0

The fair values of the Scheme assets in the above table are measured in accordance with level 1 as defined in note 5.3.3 of the Annual Report and Accounts.

The actual return on Scheme assets was as follows:

	2019 **£m**	2018 £m
Actual return on Scheme assets	**40.9**	21.6

The expected employer contribution to the Scheme in the year ending 30 June 2020 is £13.4m.

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

Section 7 – Contingencies, related parties and principal risks

7.1 Contingent liabilities

7.1.1 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 £444.8m (2018: £452.7m), and confirm that at the date of these condensed consolidated financial statements the possibility of cash outflow is considered minimal and no provision is required.

As previously disclosed in the Group's Financial Statements, following correspondence with an industry-wide final salary pension scheme, there is a risk of an obligation arising in respect of pension scheme funding, pursuant to section 75 of the Pensions Act 1995, for employees of a subsidiary who left the Group following disposal of its business and assets.

The Group received notification in January 2018 that no liability exists in respect of certain employees under the scheme, however previous correspondence received in November 2017 stated that the scheme actuary was not in a position to calculate any remaining section 75 debts due to the complexities of applying the relevant legislation to the scheme. In July 2018, the Trustees issued their consultation response confirming a proposed methodology for calculating the section 75 obligation and that debt notices would be issued by June 2019. In June 2019, the Group received an estimate of the section 75 obligation. The Group is in the process of taking appropriate actuarial and legal advice on the section 75 obligation. An extension until mid-September 2019 has been agreed with the pension scheme whilst this is completed. No debt notices have been issued at the time of issuing this report. Disclosure on this matter is therefore made in accordance with note 7.1.3.

The Directors consider that while it is increasingly probable that a liability could result in the future, at present there remain uncertainties in the estimate of the section 75 obligation calculation. Following communication with the Trustees a provision was recognised in relation to this matter during the year ended 30 June 2018 and year ended 30 June 2019.

Following the Grenfell Tower tragedy, amendments to the Building Regulations have been approved to implement a ban on the use of combustible materials in the external wall systems of buildings. The ban applies to new high-rise residential buildings 18 metres or more in height and includes material alterations such as the replacement of cladding. The regulations came into force on 21 December 2018. The Government has issued revised guidelines to Building Owners and those deemed the Responsible Person (normally the Management Company) to consider, as part of their fire risk assessments, the ability of any cladding system to prevent the spread of fire. The result has been that there has been more scrutiny of all materials used on building façades. The Group has undertaken a review of all of its current and legacy buildings where it has used cladding solutions. Approved Inspectors signed off all of our buildings, including the cladding used, as compliant with the relevant Building Regulations. During the year we have incurred and accrued an additional £13.9m (including JVs) of costs for the work involved in removing and replacing cladding in line with our commitment to put our customers first. We recognise that the retrospective review of building materials continues to evolve. These condensed consolidated financial statements have been prepared based on currently available information; however, the costs of the removal and replacement of cladding and other works identified during the removal and replacement may change as building works progress; and future changes to Building Regulations and Fire Safety Regulations may occur as a result of the Government's consultation on reforming the building safety regulatory system following recommendations from the Independent Review of Building Regulations and Fire Safety, the impact of which is currently unknown.

7.1.2 Contingent liabilities related to JVs and associates

The Group has given counter-indemnities in respect of performance bonds and financial guarantees to its JVs totalling £12.5m at 30 June 2019 (2018: £33.2m). During the current and prior years the Group has also provided principal guarantees and cost and interest overrun guarantees in relation to the borrowings of a number of the Group's London JVs. At 30 June 2019, no principle guarantees were outstanding (2018: £9.0m) and no cost or interest overruns had been incurred (2018: £nil). The Group's maximum exposure under these cost and interest overrun guarantees is £nil at 30 June 2019 (2018: £18.8m).

At 30 June 2019, the Group has an obligation to repay £0.9m (2018: £0.9m) of grant monies received by a JV upon certain future disposals of land.

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

There are no contingent liabilities in relation to associates at 30 June 2019 or 30 June 2018.

7.1.3 Contingent liabilities related to legal claims

Provision is made for the Directors' best estimate of all known material legal claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made (other than for legal costs) where the Directors consider, based on such advice, that claims or actions are unlikely to succeed, or a sufficiently reliable estimate of the potential obligations cannot be made.

7.2 Related party transactions

7.2.1 Remuneration of key personnel

The Board and certain members of Senior Management are related parties within the definition of IAS 24 (Revised) 'Related Party Disclosures' ('IAS 24') and the Board are related parties within the definition of Chapter 11 of the UK Listing Rules ('Chapter 11'). There is no difference between transactions with key personnel of the Company and transactions with key personnel of the Group.

Disclosures related to the remuneration of key personnel as defined in IAS 24 'Related Party Disclosures' will be provided in note 6.1 of the 2019 Annual Report and Accounts.

There have been no related party transactions as defined in Listing Rule 11.1.5R for the year ended 30 June 2019.

7.2.2 Transactions between the Company and its subsidiaries

The Company has entered into transactions with its subsidiary undertakings in respect of funding and Group services (which include management accounting and audit, sales and marketing, IT, company secretarial, architects and purchasing). Recharges are made to the subsidiaries based on utilisation of these services.

	Company	
	2019 £m	2018 £m
Transactions between the Company and its subsidiaries during the year:		
Charges in respect of management and other services provided to subsidiaries	**82.7**	75.8
Net interest paid by the Company on net loans from subsidiaries	**4.1**	1.9
Dividends received from subsidiary undertakings	**593.6**	560.0
Balances at 30 June:		
Amounts due to the Company from subsidiary undertakings	**76.3**	83.0

The Company and Group have entered into counter-indemnities in the normal course of business in respect of performance bonds.

7.2.3 Transactions between the Group and its JVs

The Group has entered into transactions with its JVs as follows:

	2019 £m	2018 £m
Transactions between the Group and its JVs during the year:		
Charges in respect of development management and other services provided to JVs	**8.4**	16.0
Interest charges in respect of funding provided to JVs	**2.2**	1.6
Purchase of land and part-exchange properties from JVs	**-**	2.0
Dividends received from JVs	**60.3**	41.8
Balances at 30 June:		
Funding loans and interest due from JVs	**72.9**	104.9
Other amounts due from JVs	**19.8**	29.5
Loans and other amounts due to JVs	**(1.8)**	(2.2)

In addition, one of the Group's subsidiaries, BDW Trading Limited, contracts with a number of the Group's JVs to provide construction services.

The Group's contingent liabilities relating to its JVs are disclosed in note 7.1.2.

7.2.4 Transactions between the Group and its associate

The amount of outstanding loans due to the Group from its associate at 30 June 2019 was £nil (2018: £nil). There were no other amounts outstanding between the Group and its associate as at 30 June 2019.

7.3 Statutory accounts

The condensed consolidated financial statements for the year ended 30 June 2019 have been approved by the Directors and prepared in accordance with IFRS as issued by the IASB, IFRIC interpretations and SIC interpretations as adopted and endorsed by the EU.

Barratt Developments PLC's 2019 Annual Report and Accounts will be circulated to shareholders in September 2019 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 2019 (as defined in Sections 434 and 436 of the Companies Act 2006) but is derived from the 2019 Annual Report and Accounts and the accounts contained therein. Statutory accounts for 2019 will be delivered to the Registrar of Companies prior to the Company's Annual General Meeting which will be held on 16 October 2019. 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 2018 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 2018 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.

7.4 Risk management

Our performance is subject to a number of risks. The Board has conducted a robust assessment of the principal risks facing the business. Whilst the principal risks for the Group related to the execution of its business strategy have not fundamentally changed, the likelihood of the risk factors occurring can change.

The principal risks are set out in the table below.

Risk	A **Economic environment, including housing demand and mortgage availability**	B **Land availability**	C **Availability of finance and working capital**	D **Attracting and retaining high-calibre employees**	E **Availability of raw materials, sub-contractors and suppliers**
Risk level	High risk	Medium risk	Low risk	High risk	Medium risk
Risk appetite	Medium risk	Medium risk	Low risk	Medium risk	Low risk
Link to strategic priorities and principles	Customer first Great places Leading Construction Ensuring the financial health of our business	Great places Being a trusted partner Strong community relationships Safeguarding the environment Ensuring the financial health of our business	Ensuring the financial health of our business	Leading construction Investing in our people Strong community relationships Ensuring the financial health of our business	Leading construction Being a trusted partner Safeguarding the environment Ensuring the financial health of our business
Change from previous year	No change	No change	No change	No change	Decrease
Risk description	Changes in the UK and European macroeconomic environments including, but not limited to, the impact of the UK's forthcoming exit from the EU and any change or removal of the Government's Help to Buy scheme, flat or negative economic growth, inflation, interest rates, buyer confidence, mortgage availability, competitor pricing and falls in house prices or land values. The majority of our customers require mortgages to purchase their new home. Buyer confidence, the availability of mortgages and mortgage interest	The inability to secure sufficient consented land and strategic land options at appropriate cost and quality. Securing more sites that meet our hurdle rates of margin and site ROCE will enable disciplined volume growth. Insufficient land would affect our ability to achieve our volume targets and ability to provide profitable growth.	Unavailability of sufficient borrowing facilities and the inability to refinance facilities as they fall due, obtain surety bonds, or comply with borrowing covenants. Furthermore, there are risks from management of working capital such as conditional contracts, build costs, joint ventures and the cash flows related to them. Availability of sufficient committed and surety facilities ensures that the Group can manage changes in the economic environment and take advantage of appropriate land buying and operational opportunities to help deliver sustainable shareholder value. Reduced borrowing	The ability to recruit and/or retain a sufficient number of employees with the appropriate skills. Development of skilled employees is critical to delivery of the Group's strategy of profit and volume growth through a focus on efficiency and the continued delivery of attractive cash returns. Failure to attract or retain employees with the appropriate skills would affect these targets.	Shortages or increased costs of materials and skilled labour, the failure of a key supplier or the inability to secure supplies on appropriate credit terms. Maintaining sufficient material and skilled sub-contractor availability will enable disciplined volume growth. Failure to do so may lead to increased costs and delays in construction which in turn would affect our financial position.

	rates are affected by the economic environment. Changes in the economic environment may lead to falling demand or lower prices achieved for homes, which in turn would affect our volume targets and ability to provide profitable growth and lead to impairments of the Group's inventories, goodwill and intangible assets.		facilities and/or working capital would affect the Group's ability to service liabilities (including pension funding).		
Description of risk level	The impact of the UK's forthcoming exit from the EU has heightened uncertainty in the wider macroeconomic environment over the last year. There is also an increased level of political uncertainty in the UK. Against this, however, sales rates and the housing market have remained stable. The new build market continues to be characterised by undersupply, low interest rates and good mortgage availability. The economic outlook will depend on the form of the UK's EU withdrawal in the medium term.	The Group's land bank is in a strong position and the Group continues to see a good supply of new land and strategic land opportunities. The hurdle rates for land purchases were increased in FY18 to help support margin growth and ensure we remain selective on acquisitions.	In November 2018 the Group extended its £700m RCF until 2023 with the option to extend this further by two one-year extension options. In addition, the Group holds £200m of fixed rate USPP notes until 2027. The Group has £765.7m net cash and net assets of £4,869.0m as at 30 June 2019.	There continues to be ongoing competitiveness for employees in the operational business, including from new entrants to the market. The Group has implemented a number of initiatives to improve employee retention and engagement.	There continues to be pressure on the availability of certain build materials and a shortage of skilled labour in the housebuilding industry. The impact of the UK's forthcoming exit from the EU on the ongoing supply of skilled labour and imported materials is currently uncertain. Around 10% of the Group's materials, by spend, are imported and a further 30%, by spend, contain some imported components. Changes in legislation in FY20 have the potential to change processes for the Group and its sub-contractors. The risk level has reduced during FY19 as additional capacity of our key materials and components has

					become available in the UK. In addition, the Group acquired Oregon to secure our timber frame supply. Where appropriate we have entered into longer term arrangements to ensure supply continuity over an extended period. In the current climate particular attention is being given to negotiating such arrangements where imported goods are involved.
Response/ mitigation	• Board, Executive Committee, regional and divisional management reviews. • Quarterly site valuations. • Comprehensive sales policies and regular review of pricing, local markets and developing good working relationships with mortgage lenders. • Maintenance of an appropriate capital structure and balance sheet control. • Planning for the impact of the UK's forthcoming exit from the EU and adapting the businesses' operations as necessary.	• All potential land acquisitions are subject to formal appraisal and approval by the Land Committee. • Group, regional and divisional review of land currently owned, committed and identified against requirements. • Formal relationship management with key land suppliers, landowners and local authorities. • Review by Land Committee and management on strategic land and sites. • Land forum and academy training events. • Increased usage of strategic land.	• Committed bank facilities and private placement notes of around £900m with maturity on the RCF in 2023 and the private placement notes in 2027. • Regular forecasts of working capital and cash requirements and compliance with banking covenants. • Policy requiring minimum headroom of £150m of drawings against committed facilities. • Maintenance of an appropriate capital structure and balance sheet control.	• Comprehensive human resources programme including apprenticeship schemes, a graduate development programme, succession planning and training academies tailored to each discipline. • Ongoing monitoring of employee turnover and absence statistics and feedback from exit interviews. • Annual employee engagement survey to measure employee satisfaction. • Remuneration benchmarking against industry competitors.	• Centralised team procures the majority of the Group's materials from within the UK including sub-contractor materials, ensuring consistent quality and costs. • Seek to establish and maintain long term supplier and sub-contractor partnerships with all of our significant supply agreements fixed in advance, usually for 12 months. • The Group has a key supplier audit programme to assess risks to the reliability of supply continuity. • Group policies include tendering, the requirement for multiple suppliers for both labour contracts and material supplies and contingency plans, should any key supplier fail.

					• Control of build and material costs throughout build programmes. • All key suppliers have confirmed that they have plans in place to seek to minimise disruption on the UK's exit from the EU. • In June 2019 the Group acquired Oregon, one of the Group's timber frame suppliers.
Key risk indicators	Gross and operating margins, PBT, ROCE, EPS, TSR, total home completions	Land approvals (plots)	Average net cash	Employee engagement score	Customer service, gross and operating margin, PBT, ROCE, EPS, TSR, total home completions

Risk	F **Government regulation and planning policy**	G **Construction**	H **JVs and consortia**	I **Safety, health and environmental**	J **IT**
Risk level	Medium risk	Medium risk	Low risk	Medium risk	Medium risk
Risk appetite	Medium risk	Low risk	Medium risk	Low risk	Low risk
Link to strategic priorities and principles	Great places Safeguarding the environment Strong community relationships Ensuring the financial health of our business	Leading construction Safeguarding the environment Ensuring the financial health of our business	Leading construction Being a trusted partner Safeguarding the environment Ensuring the financial health of our business	Keeping people safe Investing in our people Safeguarding the environment Ensuring the financial health of our business	All
Change from previous year	No change	No change	Decrease	No change	No change
Risk description	Changing complex regulatory environment which affects planning and the time taken to obtain planning approval and technical requirements including Building Regulations. Securing sufficient, appropriate planning permissions on new sites will enable the Group to deliver disciplined volume growth. Changes to the regulatory environment could affect our financial position.	Failure to identify and achieve key construction milestones (due to factors including the impact of adverse weather conditions), failure to identify cost overruns promptly, design and construction defects, exposure to environmental and unadopted site infrastructure liabilities. There are also risks associated with climate change and the use of new technology and materials in the build process, e.g. materials related to carbon reduction. We aim to reduce the risks inherent in the construction process and help address the shortage of skilled employees and sub-contractors through the use of MMC which is implemented where appropriate. Delays in construction, or poor	Large development projects, some of which involve JVs or consortia arrangements and/or commercial developments, are complex and capital intensive. Securing more JV sites that meet our hurdle rates enables disciplined volume growth. Engaging with JVs assists in reducing and sharing risks on complex, capital intensive, bespoke and commercial developments. Changes in complex developments may negatively impact on cash flows or returns.	Health and safety or environmental breaches can result in incidents affecting employees, sub-contractors and site visitors. We continue to prioritise and focus on health and safety to seek to reduce injury rates and manage the risks inherent in the manufacturing and construction process. SHE breaches could cause potential reputational damage, criminal prosecution and civil litigation, delays in construction or increased costs.	Failure of any of the Group's IT systems, in particular those relating to customer information, surveying and valuation. The Group could suffer significant financial and reputational damage due to the loss, theft or corruption of data either inadvertently or via a targeted cyber attack. We continue to improve integration of IT systems to enhance business control and drive efficiency. Failures of any of the Group's IT systems could adversely impact the performance of the Group.

		product quality, could increase costs, reduce selling prices and sales volumes and result in litigation and uninsured losses.			
Description of risk level	Following the introduction of the NPPF in 2012, planning permissions granted in England have increased. However, the planning process remains lengthy and complex. Other potential regulatory changes may impact how we design our developments and deliver and sell our homes. Changes to Building Regulations and Fire Safety Regulations may occur as result of the Government's consultation on reforming the building safety regulatory system following recommendations from the Independent Review of Building Regulations and Fire Safety, the impact of which is currently unknown.	The Group's construction process and policies have remained unchanged in the last year. The Group continues to expand the use of new product ranges which maintain our high standards of design while it simplifies the build, helps us to reduce build cost and waste and are more suitable for MMC.	Our investment in JVs is £189.0m (2018: £234.1m) a reduction from the previous year. The Group sold its investment in the Aldgate Place JV in June 2019 and there are some active JVs which are due to finish trading in FY20.	There was a fatal incident on one of the Group's sites in June 2019. The Group continues to focus on health and safety including ensuring consistent controls are in place to reduce accidents and injuries. The Group IIR rate for the year is 297 (2018: 462) per 100,000 persons employed (including sub-contractors).	The threat of external cyber attacks and phishing attempts continues to increase with a number of high profile incidents being reported in the media during the year.
Response/ Mitigation	• Considerable in-house technical and planning expertise focused on complying with	• Executive Committee, regional and divisional reviews and quarterly site valuations. • Continuous	• All potential JVs are subject to formal appraisal and approval by the Group's Land	• Internally resourced health and safety team. • Regular health and safety monitoring by our in-house team,	• Centrally maintained IT systems. • Fully tested disaster recovery programme.

	regulations and achieving implementable planning consents that meet local requirements. • Robust and rigorous design standards for the homes and places we develop. • Policies and technical guidance manuals for employees on regulatory compliance and the standards of business conduct expected. • Consultation with Government agencies, membership of industry groups to help understand and monitor proposed regulation change.	review of MMC and the quality of materials which are evaluated by external and internal technical experts, including the NHBC, to ensure compliance with all building and other regulations. • Monitoring and improving environmental and sustainability impact of construction methods and materials used. • Maintenance of appropriate insurance cover. • Detailed build programmes and quality reviews, divisional monthly valuation meetings and sign off. • Review of use of MMC by Group Design & Technical. • Technologies new to Barratt go through rigorous testing and analysis process before full implementation.	Committee and the Board. • Once operational, the performance of JVs and consortia are subject to regular review.	internal and external audits of all operational units and regular Senior Management reviews of developments. • Continued reinforcement of Group SHE policies and procedures. • Dedicated SHE and Operations Committees which review key performance indicators, improvement plans and reinforce the importance of health, safety and environmental compliance. • Quarterly performance reviews by divisional management within all operating units. • Independent reviews of our SHE processes.	• Regular reviews to seek to reduce the risk of successful cyber attacks. • Business processes and data management which are GDPR compliant. There is an ongoing review and governance approach, including a specific Data Protection Risk and Technology Crisis Committee to assess our risks and implement mitigating actions • Group-wide compliance and policies on passwords and transferring data to third parties.
Key risk indicators	Gross and operating margin, PBT, ROCE, EPS, TSR, total home completions	Customer service, total home completions, gross margin, operating margin, PBT, ROCE, EPS, construction waste intensity and carbon intensity reduction	ROCE, total home completions	Health and safety (SHE audit compliance)	Customer service, gross and operating margin, PBT, ROCE, EPS

Statement of Directors' Responsibilities

The responsibility statement set out below has been prepared in connection with (and will be set out in) the Annual Report and Accounts of the Company for the year ended 30 June 2019, which will be circulated to shareholders in September 2019 and will be made available at the Company's website www.barrattdevelopments.co.uk at that point.

Financial Statements and accounting records

The Directors are responsible for preparing the Annual Report and Accounts including the Directors' remuneration report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the International Accounting Standards Regulation (the 'IAS Regulation') to prepare the Group Financial Statements under International Financial Reporting Standards ('IFRS') as adopted by the European Union and have also elected to prepare the Parent Company Financial Statements in accordance with IFRS. The Financial Statements are also required by law to be properly prepared in accordance with the Companies Act 2006 and Article 4 of the IAS Regulation. Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period.

International Accounting Standard 1 requires that Financial Statements present fairly for each financial year the relevant entity's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's and the Group's (as the case may be) ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions on an individual and consolidated basis and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Fair, balanced and understandable

The Board considers, on the advice of the Audit Committee, that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's position, performance, business model and strategy.

Directors' responsibility statement

The Directors confirm that, to the best of each person's knowledge:

a) the Group and Parent Company Financial Statements in the Annual Report and Accounts, which have been prepared in accordance with IFRS, Standing Interpretation Committee interpretations as adopted and endorsed by the European Union, International Financial Reporting Interpretations Committee interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the Group taken as a whole; and

b) the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board

David Thomas	Jessica White
Chief Executive	**Chief Financial Officer**
3 September 2019	3 September 2019

Definitions of alternative performance measures and reconciliation to IFRS

The Group uses a number of alternative performance measures which are not defined within IFRS. The Directors use these alternative performance measures, along with IFRS measures, to assess the operational performance of the Group as detailed in the Strategic report in the Annual Report and Accounts. Definitions, and reconciliations of the financial alternative performance measures used to IFRS measures, are included below:

Gross margin is defined as gross profit divided by revenue:

	2019	2018
Revenue per Condensed Consolidated Income Statement (£m)	**4,763.1**	4,874.8
Gross profit per Condensed Consolidated Income Statement (£m)	**1,084.2**	1,008.9
Gross margin	**22.8%**	20.7%

Operating margin is defined as profit from operations divided by revenue:

	2019	2018
Revenue per Condensed Consolidated Income Statement (£m)	**4,763.1**	4,874.8
Profit from operations per Condensed Consolidated Income Statement (£m)	**901.1**	862.6
Operating margin	**18.9%**	17.7%

Return on Capital Employed ("ROCE") is calculated as earnings before amortisation, interest, tax, operating charges relating to the defined benefit pension scheme and operating adjusting or exceptional items for the year, divided by average net assets adjusted for goodwill and intangibles, tax, net cash, retirement benefit assets/obligations and derivative financial instruments:

	2019 £m	2018 £m
Profit from operations	901.1	862.6
Cost associated with legacy properties	3.2	7.0
Defined benefit past service cost	1.7	**-**
Share of post-tax profit from JVs and associates including loss on disposal of JVs	37.5	18.0
Earnings before amortisation, interest, tax, adjusted items and defined benefit scheme charges	943.5	887.6

	30 June 2019 **£m**	31 December 2018 £m	30 June 2018 £m	31 December 2017 £m	30 June 2017 £m
Group net assets per Condensed Consolidated Balance Sheet	**4,869.0**	4,551.7	4,597.7	4,267.7	4,322.2
Less:					
Other intangible assets per Condensed Consolidated Balance Sheet	**(102.3)**	(100.0)	(100.0)	(100.0)	(100.0)
Goodwill per Condensed Consolidated Balance Sheet	**(805.9)**	(792.2)	(792.2)	(792.2)	(792.2)
Current tax liabilities	**99.5**	84.3	85.8	61.8	71.1
Deferred tax liabilities	**17.6**	21.5	25.3	20.1	8.0
Derivative financial instruments - swaps	**-**	-	-	-	(7.4)
Retirement benefit (assets) / obligations	**(62.6)**	(53.1)	(58.7)	(34.8)	(13.6)

Cash and cash equivalents	**(958.3)**	(579.1)	(982.4)	(378.0)	(784.4)
Loans and borrowings	**200.0**	200.0	191.1	212.1	73.9
Prepaid fees	**(7.4)**	(8.6)	-	-	-
Capital employed	**3,249.6**	3,324.5	2,966.6	3,256.7	2,777.6
Three point average capital employed	**3,180.2**		3,000.3		

	2019	2018
Earnings before interest, tax, adjusted items and defined benefit scheme charges (from table above) (£m)	**943.5**	887.6
Three point average capital employed (from table above) (£m)	**3,180.2**	3,000.3
ROCE	**29.7%**	29.6%

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

Glossary

AGM	Annual General Meeting
ASP	Average selling price
BLIL	Barratt London Investments Limited
BRAM	Barratt Residential Asset Management Limited
Building Regulations	The requirements relating to the erection and extension of buildings under UK Law
Capital Employed	Average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit asset/obligations and derivative financial instruments
CMI	The actuarial profession's Continuous Mortality Investigation
DBO	Defined Benefit Obligation
DBP	Deferred Bonus Plan
EBT	Barratt Developments Employee Benefit Trust
ELTIP	Employee Long Term Incentive Plan
EPS	Earnings per share
ESG	Environmental Social Governance
EU	European Union
FY	Financial year ended 30 June
GDPR	General Data Protection Regulation
GMP	Guaranteed Minimum Pension
Gross margin	Gross profit divided by total revenue
HBF	Home Builders Federation
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISDA	International Swaps and Derivatives Association

JVs	Joint ventures
LIBOR	The London Interbank Offered Rate
LTI lending	Loan To Incentive mortgage lending
LTPP	Long Term Performance Plan
LTV	Loan to Value
MMC	Modern methods of construction
Net cash	Cash and cash equivalents, bank overdrafts, prepaid fees, interest bearing borrowings and foreign exchange swaps
Net tangible assets	Group net assets less other intangible assets and goodwill
NHBC	National House Building Council
Non-recurring items	Costs associated with legacy properties and reversal of impairment/ impairment of inventories
NPPF	The National Planning Policy Framework
Operating margin	Profit from operations divided by revenue
Oregon	Oregon Timber Frame Limited and its subsidiary Oregon Contract Management Limited
PBT	Profit before tax
RBLI	Royal British Legion Industries
RCF	Revolving Credit Facility
ROCE	Earnings before amortisation, interest, tax, operating charges relating to the defined benefit pension scheme and operating adjusting or exceptional items, divided by average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit assets/obligations and derivative financial instruments
RSPB	Royal Society for the Protection of Birds
SAPS	Self-administered Pension Scheme
Sharesave	Savings-Related Share Option Scheme
SHE	Safety, Health and the Environment
SIC	Standing Interpretations Committee
Site ROCE	Site operating profit (site trading profit less overheads less allocated administrative overheads) divided by average investment in site land, work in progress and equity share
SMIS	Senior Management Incentive Scheme
SMSOP	Senior Management Share Option Plan
the Company	Barratt Developments PLC
the Group	Barratt Developments PLC and its subsidiary undertakings
the Scheme	The Barratt Group Pension & Life Assurance Scheme
Total gearing including land creditors	Land creditors and net debt/cash divided by net tangible assets
TSR	Total shareholder return
UN SDGs	United Nations' Sustainable Development Goals
USPP	United States Private Placement